

DISTRICT OF COLUMBIA
PUBLIC CHARTER SCHOOL BOARD

WASHINGTON, DC

AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones
Certified Public Accountants

District of Columbia Public
Charter School Board
3333 14th Street, NW, Suite 210
Washington, DC 20010

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and major fund of the District of Columbia Public Charter School Board, a component unit of the government of the District of Columbia, as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District of Columbia Public Charter School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1(A) to the financial statements, the District of Columbia Public Charter School Board is a legally separate component unit of the District of Columbia. These financial statements are intended to present the financial position and changes in financial position of only the governmental activities of the District of Columbia (the primary government) that are attributable to the transactions of the District of Columbia Public Charter School Board. They do not purport to, and do not, present fairly the financial position of the District of Columbia as of September 30, 2011 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the District of Columbia Public Charter School Board, as of September 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 1(G) to the financial statements, the District of Columbia Public Charter School Board is not required to legally adopt an annual operating budget and as such a budgetary comparison has not been presented as Required Supplementary Information.

The District of Columbia Public Charter School Board has not presented the management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not required to be a part of, the financial statements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2012, on our consideration of the District of Columbia Public Charter School Board's internal control over financial reporting and 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* and should be considered in assessing results of our audit.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 17, 2012

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 339,224	\$ -	\$ 339,224
Accounts Receivable	191,588	-	191,588
Prepaid Expenses	<u>70,545</u>	<u>-</u>	<u>70,545</u>
Total Current Assets	<u>\$ 601,357</u>	<u>\$ -</u>	<u>\$ 601,357</u>
<u>Other Assets:</u>			
Deposits	<u>\$ 9,369</u>	<u>\$ -</u>	<u>\$ 9,369</u>
Total Other Assets	<u>\$ 9,369</u>	<u>\$ -</u>	<u>\$ 9,369</u>
<u>Noncurrent Assets:</u>			
Net Capital Assets	<u>\$ 89,595</u>	<u>\$ -</u>	<u>\$ 89,595</u>
Total Noncurrent Assets	<u>\$ 89,595</u>	<u>\$ -</u>	<u>\$ 89,595</u>
TOTAL ASSETS	<u>\$ 700,321</u>	<u>\$ -</u>	<u>\$ 700,321</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 79,047	\$ -	\$ 79,047
Accrued Payroll and Vacation	125,950	-	125,950
Payroll Liabilities	52,534	-	52,534
Advances on Grants	103,405	-	103,405
Deferred Registration Fees	<u>300</u>	<u>-</u>	<u>300</u>
TOTAL LIABILITIES	<u>\$ 361,236</u>	<u>\$ -</u>	<u>\$ 361,236</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 89,595	\$ -	\$ 89,595
Unrestricted	<u>249,490</u>	<u>-</u>	<u>249,490</u>
TOTAL NET ASSETS	<u>\$ 339,085</u>	<u>\$ -</u>	<u>\$ 339,085</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs:	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Charter School Program	\$ 4,039,185	\$ 2,065,105	\$ 137,934	\$ -	\$ (1,836,146)	\$ -	\$ (1,836,146)
Student Information Systems	572,479	-	572,479	-	-	-	-
Mission Oriented Data Management Solutions	807,840	-	807,840	-	-	-	-
School Closure	438,632	-	69,807	-	(368,825)	-	(368,825)
No Child Left Behind Act	90,340	-	90,340	-	-	-	-
Depreciation - Unallocated	54,959	-	-	-	(54,959)	-	(54,959)
Loss on Disposal of Assets	13,671	-	-	-	(13,671)	-	(13,671)
Total Governmental Activities	\$ 6,017,106	\$ 2,065,105	\$ 1,678,400	\$ -	\$ (2,273,601)	\$ -	\$ (2,273,601)
Business-Type Activities:							
Total Government, Component Unit	\$ 6,017,106	\$ 2,065,105	\$ 1,678,400	\$ -	\$ (2,273,601)	\$ -	\$ (2,273,601)
General Revenues:							
Government Aid - Appropriations					\$ 1,201,000	\$ -	\$ 1,201,000
Interest Earnings					796	-	796
Total General Revenues					\$ 1,201,796	\$ -	\$ 1,201,796
Change in Net Assets					\$ (1,071,805)	\$ -	\$ (1,071,805)
Net Assets - Beginning of Year					1,410,890	-	1,410,890
Net Assets - End of Year					\$ 339,085	\$ -	\$ 339,085

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>Governmental Fund Type Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 339,224	\$ 339,224
Accounts Receivable	<u>191,588</u>	<u>191,588</u>
Total Current Assets	<u>\$ 530,812</u>	<u>\$ 530,812</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 9,369</u>	<u>\$ 9,369</u>
Total Other Assets	<u>\$ 9,369</u>	<u>\$ 9,369</u>
TOTAL ASSETS	<u>\$ 540,181</u>	<u>\$ 540,181</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	\$ 79,047	\$ 79,047
Accrued Payroll and Vacation	125,950	125,950
Payroll Liabilities	52,534	52,534
Advances on Grants	103,405	103,405
Deferred Registration Fees	<u>300</u>	<u>300</u>
Total Liabilities	<u>\$ 361,236</u>	<u>\$ 361,236</u>
<u>Fund Balances:</u>		
Nonspendable	\$ 9,369	\$ 9,369
Committed	<u>169,576</u>	<u>169,576</u>
Total Fund Balances	<u>\$ 178,945</u>	<u>\$ 178,945</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 540,181</u>	<u>\$ 540,181</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$ 178,945
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$302,641, and the accumulated depreciation is \$213,046.	89,595
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Expenditures paid in the current year relating to periods of the subsequent year such as insurance, employee benefits, etc. are deferred charges in the government-wide statements.	<u>70,545</u>
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<u>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</u>	<u>\$ 339,085</u>
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(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Revenues:</u>	<u>Special Revenue</u>
Government Appropriations	\$ 1,201,000
Administrative Fees	2,065,105
Grants and Contributions	1,678,400
Interest Income	<u>796</u>
Total Revenues	<u>\$ 4,945,301</u>
 <u>Expenditures:</u>	
Current:	
Wages	\$ 2,221,867
Fringe Benefits	405,712
Temporary Help	45,578
SIS Reimbursements	147,147
Consultants	1,930,765
Professional Development	5,966
School Closure Expense	438,632
Legal and Audit	35,693
Travel, Meetings and Conferences	53,134
Community Events	69,405
Office Rent and Utilities	372,780
Bookkeeping and Payroll Fees	31,610
Postage and Shipping	22,655
Printing, Duplicating and Production	38,875
Publicity and Promotion	42,989
Telephone and Electronic Communications	56,281
Subscriptions, Books and Dues	4,378
Maintenance and Equipment Rental	14,812
Office Supplies and Expense	26,593
Insurance	6,824
Capital Outlay	<u>24,732</u>
Total Expenditures	<u>\$ 5,996,428</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,051,127)</u>
Fund Balances, Beginning of Year	<u>1,230,072</u>
Fund Balances, End of Year	<u>\$ 178,945</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,051,127)

Amounts reported for governmental activities in the statement of
activities are different because:

Capital outlays are reported in governmental funds as expenditures.

In the statement of activities the cost of assets is allocated over their
estimated useful lives as depreciation expense. This is the amount
by which depreciation exceeds capital outlays and loss on disposal of
fixed assets in the current period. (43,898)

Deferred charges are reported in the governmental funds as expenditures.

However, in the government-wide financial statements such charges are
recorded as prepaid expense. Prepaid expenses increased by this amount
during the year. 23,220

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (1,071,805)

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

The District of Columbia Public Charter School Board, along with the District of Columbia Board of Education, was authorized by the U.S. Congress in the District of Columbia School Reform Act of 1995 to grant charters to establish public charter schools and to provide oversight of such schools in Washington, DC. Legislation has established the term of the Board as perpetual in nature.

The Mayor of the District of Columbia appointed members of the District of Columbia Public Charter School Board from nominees presented to him by the U.S. Secretary of Education. The Board has been operating since February 1997 and has established a goal of helping to improve education for children, youth, and adults in the District of Columbia by chartering public schools that work.

The Board reviews applications to develop public charter schools; awards or denies requests for charters; monitors the operations of public charter schools, as well as the progress of students in those schools; and renews charters, or withdraws and revokes charters of schools that fall short of their goals. The Board receives local appropriations from the Government of the District of Columbia and administrative fees from the schools that it charters.

Note 1 - Summary of Significant Accounting Policies:

The Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the School Board are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain significant changes in the Statement include the following:

- Financial statements are prepared using full accrual accounting for all of the organizations activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Financial Reporting Entity -

The criteria for including organizations as component units within the District of Columbia Public Charter School Board's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Board holds the corporate powers of the organization

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

A. Financial Reporting Entity - (Continued)

- the Board appoints a voting majority of the organization's board
- the Board is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Board
- there is fiscal dependency by the organization on the Board

The Board has reviewed and evaluated the applicable criteria and determined that there are no agencies that should be included as component units in these financial statements. In addition, the Board has determined that it functions as a component unit of the Government of the District of Columbia.

B. Financial Statements - Government-Wide Statements -

The Board's financial statements include both government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. The Board's special revenue and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. When applicable, the Board first utilizes restricted resources to finance qualifying activities. During the year ended September 30, 2011 the Board had no restricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Board's functions and business-type activities. The functions are also supported by general government revenues (intergovernmental revenues, interest, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues (intergovernmental revenues, interest, etc.).

The Board does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Board as an entity and the change in the Board's net assets resulting from the current year's activities.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Financial Statements - Fund Financial Statements -

The accounts of the District of Columbia Public Charter School Board are organized on the basis of a fund (a special revenue fund as explained below) which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purpose for which the funding is to be spent.

The following fund type is maintained by the District of Columbia Public Charter School Board.

Governmental Fund Type:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Board:

1. Special Revenue

A special revenue fund is used to account for the operations of the Board which is funded by a specific revenue source that is restricted to expenditures for the specified purpose of the organization.

D. Measurement Focus and Basis of Accounting -

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The special revenue fund is accounted for using a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual: i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A six month availability period is used for recognition of revenues.

Revenues from federal, state and other grants designated for payment of specific Board expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the year end is recorded as deferred revenue or a receivable.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Grants -

Grants resulted from voluntary non-exchange transactions with the Walton Foundation. In accordance with GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions", revenues are recognized when all eligibility requirements have been met. The eligibility requirements for these grants consist of the District of Columbia Public Charter School Board incurring reimbursable expenses under the terms and conditions of the appropriate grantor.

Cash receipts in excess of costs incurred on grants are reflected as advances on grants until they are expended for the purpose of the grant, at which time they are recognized as grant revenue.

F. Capital Assets -

Capital assets purchased or acquired with an original cost of \$300 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Leasehold Improvements	5-40 years
Computers and Software	3-5 years
Furniture and Fixtures	5-10 years
Machinery and Equipment	5-7 years

From time to time, assets are purchased by the Board on behalf of a newly chartered public school. The policy of the Board is to transfer title to that charter school at the time of purchase. As such, these purchases are expensed at the time of acquisition and not capitalized in the financial statements.

G. Budgets and Budgetary Accounting -

GASB No. 34 requires governmental entities that legally adopt an annual budget to present as Required Supplementary Information a schedule with budget to actual comparisons. The purpose of this budgetary comparison is to demonstrate the government's compliance in obtaining and using financial resources in accordance with its legally adopted budget.

The District of Columbia Public Charter School Board is not required by law to formally prepare and adopt an annual operating budget, and as such a budget comparison has not been presented in these financial statements.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

H. Governmental Fund Balances:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement was first applied to the Public Charter School Board's financial statements during the year ended September 30, 2011. This statement defines the types of fund balances that a governmental entity must use for financial reporting purposes. These classifications are defined as follows:

Nonspendable Fund Balance -

The nonspendable fund balance classification reflects amounts that are not in spendable form such as prepaid expenses and deposits. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted Fund Balance -

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance -

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the District of Columbia's highest level of decision-making authority.

In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the highest level of decision-making authority.

Assigned Fund Balance -

The assigned fund balance classification reflects amounts that the Public Charter School Board *intends* to be used for specific purposes. Assignments may be established either by the governing body or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint.

In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action does not require the same level of formality and may be delegated to another body or official.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

H. Governmental Fund Balances: (Continued)

Unassigned Fund Balance -

For this special revenue fund, a positive unassigned fund balance is never reported because amounts in this fund have been committed, at least, to the purpose of that fund. However, deficits in the special revenue fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Classification Policies and Procedures:

Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the District of Columbia through a resolution. A resolution also must be passed by the District to modify or rescind committed fund balances.

Note 2 - Deposits and Investments:

In accordance with state law, all uninsured deposits of Board funds in financial institutions must be secured with acceptable collateral equal to at least 102% of the total of the District of Columbia funds held by the eligible financial institution. Acceptable collateral includes bonds, bills, or notes for which the interest and principle are guaranteed by the United States government; securities of a quasi-governmental corporation; investment grade obligations of the District or a state or local government; or collateralized mortgage obligations. As required by DC Code Title 47.351.02(c), the pledging financial institution is required to place collateral in a joint custody account established for the benefit of the District at the Federal Reserve Bank or in an independent third-party insured institution.

Deposits and investments of the Board are limited by state law to the following:

- (1) Bonds, bills, notes, or other obligations issued by the United States government;
- (2) Federally insured negotiable certificates of deposit or other insured or uninsured evidences of deposit at a financial institution;
- (3) Bonds, bills, notes, mortgage-backed or asset-backed securities, or other obligations of a quasi-governmental corporation;
- (4) Prime banker acceptances that do not exceed 270 days maturity;
- (5) Prime commercial paper that does not:
 - (a) Have a maturity that exceeds 180 days; and
 - (b) Exceed 10% of the outstanding commercial paper of the issuing corporation at the time of purchase.
- (6) Investment grade obligations of the District or a state or local government;
- (7) Repurchase agreements for the sale or purchase of securities by the District under the condition that, after a stated period of time, the original seller or purchaser will buy back or sell the securities at an agreed price that shall include interest;
- (8) Investment grade asset-backed or mortgaged-backed securities; or
- (9) Money market funds registered with the Securities and Exchange Commission and which meet the requirements of rule 2(a)(7) of the Investment Company Act of 1940, approved August 22, 1940.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 2 - Deposits and Investments: (Continued)

Cash at September 30, 2011 consisted of interest bearing and non-interest bearing accounts. This was the nature of accounts that were maintained throughout the year. All of these deposits are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet as "Cash and Cash Equivalents." At September 30, 2011, the carrying amount of the Board's deposits was \$339,224 and the bank balance was \$441,587. A summary of bank balances are as follows:

	<u>Bank Balance</u>	<u>Carrying Balances</u>
Non-Interest Bearing - Checking	\$ 236,211	\$ 133,848
Interest Bearing - Checking	<u>205,376</u>	<u>205,376</u>
Total	<u>\$ 441,587</u>	<u>\$ 339,224</u>

The Public Charter School Board maintains its deposits in two separate financial institutions in the form of an interest-bearing and a non-interest bearing checking account. The interest-bearing checking account is fully insured under the Federal Deposit Insurance Corporation (FDIC) program. Federal Deposit Insurance Corporation Insurance coverage was \$100,000 per account category prior to October 2, 2008 and \$250,000 thereafter. Effective December 31, 2010 through December 31, 2012, non-interest bearing accounts are insured in full under the Dodd-Frank rule.

As of September 30, 2011, the Public Charter School Board's cash balances did not exceed the insurance limits, however on certain days during the year, the bank balance in the interest bearing checking account was in excess of the federally insured limits. The Public Charter School Board was at risk for the funds held in excess of the insured amounts. The Public Charter School Board has not experienced any losses related to this account and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. The Board does not have a deposit policy for custodial credit risk. As of September 30, 2011, the Board's bank balances were not exposed to custodial credit risk.

Credit Risk - In compliance with the Board's investment policy, as of September 30, 2011, the Board minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities and limiting Bank Certificates of Deposits to less than \$250,000 covered by Federal Depository Insurance (FDIC).

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 3 - Accounts Receivable:

Accounts receivable at September 30, 2011 are considered to be fully collectible and consisted of the following:

School Administrative Fees	\$ 121,436
Expo - Exhibitor Fees	25,936
Charter School Management Research Initiative	36,023
PayPal - Escrow Account	5,847
Other Reimbursements	<u>2,346</u>
 Total Deposits	 <u>\$ 191,588</u>

Note 4 - Capital Assets:

Capital asset activity for the year ended September 30, 2011 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Leasehold Improvements	\$ 98,726	\$ -	\$ -	\$ 98,726
Computers and Software	134,432	23,022	(36,025)	121,429
Furniture and Fixtures	101,021	1,710	(21,608)	81,123
Machinery and Equipment	<u>14,989</u>	<u>-</u>	<u>(13,626)</u>	<u>1,363</u>
 Total Capital Assets	 <u>\$ 349,168</u>	 <u>\$ 24,732</u>	 <u>\$ (71,259)</u>	 <u>\$ 302,641</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	\$ (62,718)	\$ (10,675)	\$ -	\$ (73,393)
Computers and Software	(82,851)	(32,613)	33,932	(81,532)
Furniture and Fixtures	(58,276)	(10,872)	12,132	(57,016)
Machinery and Equipment	<u>(11,830)</u>	<u>(799)</u>	<u>11,524</u>	<u>(1,105)</u>
 Total Accumulated Depreciation	 <u>\$ (215,675)</u>	 <u>\$ (54,959)</u>	 <u>\$ 57,588</u>	 <u>\$ (213,046)</u>
 Total Capital Assets, Net	 <u>\$ 133,493</u>	 <u>\$ (30,227)</u>	 <u>\$ (13,671)</u>	 <u>\$ 89,595</u>

Note 5 - Advances on Grants:

Advances on grants consist of restricted grant funds received in excess of expenditures incurred as of September 30, 2011. Balances were as follows:

Walton Family Foundation	\$ 93,745
No Child Left Behind	<u>9,660</u>
 Total	 <u>\$ 103,405</u>

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 6 - Administrative Fees:

As authorized by the District of Columbia School Reform Act, the Charter School Board receives an administrative fee from each Charter School at an amount of one half of one percent of the annual District per pupil funding allocation. These fees are recognized as revenue in the fiscal year to which the fees apply, which is based on the Charter School year of July 1, through June 30. During the year ended September 30, 2011, \$2,065,105 of administrative fees were earned.

Note 7 - Commitments:

Occupancy -

The Board is committed under non-cancelable operating leases to make future minimum payments for office space usage over the next five years as follows:

<u>Year Ending September 30</u>	<u>Tivoli 2nd Floor</u>	<u>Sojourners 3rd Floor</u>
2012	\$ 196,155	\$ 129,421
2013	201,048	134,597
2014	206,060	139,981
2015	<u>157,416</u>	<u>108,593</u>
Total Future Minimum Lease Payments	<u>\$ 760,679</u>	<u>\$ 512,592</u>

The District of Columbia Public Charter School Board leases its office space on the second floor under an operating lease, which was effective July 15, 2005 and expires on June 30, 2015. The Board is obligated to pay a proportion of the annual "Excess Operating Costs" and "Excess Real Estate Taxes" on the leased property. An estimate of the annual increase in operating costs and real estate taxes has not been provided for in the above. Monthly lease payments required at September 30, 2011 was \$16,245. Future minimum rental payments are noted above. Rental expense under this lease for the year ended September 30, 2011 was \$191,368.

The District of Columbia Public Charter School Board entered into a sublease agreement on January 25, 2007 for the lease of office space on the third floor of its current location. This sublease was originally effective for a four year period commencing on March 1, 2007 and ending on February 28, 2011. The lease was renewed on June 21, 2010 for an additional four years and four months through June 30, 2015. This lease calls for monthly rental payments in the amount of \$9,369 with four percent (4%) fixed annual increases over the previous year's rent. Future minimum rental payments are as noted above. Monthly lease payments required at September 30, 2011 was \$10,539. Rental expense under this lease for the year ended September 30, 2011 was \$126,469.

The Board has an irrevocable unsecured standby letter of credit in the amount of \$14,007 obtained in lieu of a security deposit under this operating lease. This letter of credit is scheduled to expire on June 1, 2012.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 7 - Commitments: (Continued)

Equipment Rental -

The District of Columbia Public Charter School Board entered into an operating lease on April 7, 2009 with CIT Technology Financing Services for the rental of a Xerox 7665 Photocopier. This lease is effective for a five year period commencing on May 27, 2009. This lease calls for monthly rental payments of \$809. Rental expense under this lease for the year ended September 30, 2011 was \$9,708.

Future minimum payments due under the above lease are as follows:

<u>September 30,</u>	<u>Copier Rental</u>
2012	\$ 9,708
2013	9,708
2014	<u>6,472</u>
Total	<u>\$ 25,888</u>

Telephone Rental -

The District of Columbia Public Charter School Board entered into an operating lease on June 17, 2010 with XO Communications for the rental of an Avaya IP telephone system. This lease is effective for a three year period commencing on December 13, 2010. In addition to monthly varying charges for interstate services, this lease calls for monthly recurring charges of \$2,686. Rental expense under this lease for the year ended September 30, 2011 was \$26,863.

Future minimum payments due under the above leases are as follows:

<u>September 30,</u>	<u>Phone Rental</u>
2012	\$ 32,236
2013	32,236
2014	<u>5,373</u>
Total	<u>\$ 69,845</u>

Note 8 - Contingencies:

The viability of public charter schools and funding for these schools and the D.C. Public Charter School Board is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operation of public charter schools.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 9 - Economic Dependency:

The District of Columbia Public Charter School Board derived twenty-four percent (24%) of its current year revenues from appropriations as enacted by the District of Columbia Appropriation Bill. Administrative fees received from one charter school represent six percent (6%) of current year revenues.

Note 10 - Pension Plan:

The District of Columbia Public Charter School Board provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by TIAA-Creff. 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. On the plan effective date, which began in June 1999, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions and contribution requirements are established and may be amended by the board members of the District of Columbia Public Charter School Board. There is no unfunded past service liability.

Effective January 1, 2007, the District of Columbia Public Charter School Board began matching 1.5% for every 1% the employee contributes up to 3%. There is a further match of .5% for every 1% between 3.1% up to 5%.

The Board's contributions on all covered employees amounted to \$97,713.

Note 11 - Deferred Compensation Plan:

The District of Columbia Public Charter School Board elected to establish a deferred compensation plan for the executive director under the provisions of Internal Revenue Code (IRC) Section 457. This plan became effective January 1, 2003 and requires the organization to make non-elective quarterly contributions to the plan in the amount of \$915. Total employer contributions made during the year ended September 30, 2011 was \$1,830.

Note 12 - Subsequent Events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 17, 2012, the date the financial statements were available to be issued.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 13 - Fringe Benefits:

Fringe Benefits incurred for the year is comprised of the following:

Social Security	\$ 161,080
Unemployment	6,216
Health Insurance	100,625
Retirement	99,543
Workers Compensation	3,737
Disability	16,097
Life Insurance	8,250
Commuter Benefits	7,885
De Minimus	<u>2,279</u>
 Total Fringe Benefits	 <u>\$ 405,712</u>

Transportation Plan - The District of Columbia Public Charter School adopted a Section 132(f) Commuter Expense Reimbursement Plan. Under this plan, employees receive reimbursement for commuting to and from work on a tax favored (pre-tax) basis. The Public Charter School Board reimburses for commuter vehicle expense, transit passes, and qualified parking.

Flexible Benefits Plan - The District of Columbia 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 insurance premiums, un-reimbursed medical expenses, and dependent care expenses.

Note 14 - Consulting:

Consulting expense incurred for the year is comprised of the following:

Application Reviews	\$ 73,470
Transcript Reviews	118,400
NCLB Programs	86,805
Program Development Reviews	282,285
DC-CAS	4,735
Handbook Development	10,000
Special Education Reviews and Training	3,825
Financial Reviews	137,488
Technology	997,571
Governance Project	119,800
Other	18,780
Standards Training	600
PMF Data Analysis	28,691
Leadership Planning Activities	5,206
TSIA Projects	36,564
Business Manager Roundtable	4,900
Staff Consulting	<u>1,645</u>
 Total Consulting	 <u>\$ 1,930,765</u>

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 15 - School Closure:

The Public Charter School Board's primary responsibility is for monitoring charter schools in the areas of academic performance, governance, financial operation, and NCLB compliance. If charter schools are not meeting academic and non-academic performance, the Public Charter School Board may take action to close the school through revocation, or the school may relinquish their charter. When a charter school closes, the following actions must take place in a timely and effective manner:

- a) Ensure all aspects of a school closure are completed accurately and timely in accordance with guidelines established by the Office of State Superintendent of Education.
- b) All students, including special education, are transferred to schools that can accommodate and meet all of their needs, and student records are transferred to the receiving school.
- c) All federally funded grants and entitlements are closed out properly, including equipment and inventory liquidation.

While the Public Charter School Board is the authorizer for public charter schools in the District of Columbia, the Office of Public Charter School Financing and Support within the District of Columbia Office of State Superintendent of Education (OSSE) shares responsibility with other OSSE offices to ensure effective oversight and compliance for federal funds awarded by OSSE to D.C. public charter schools. The Public Charter School Board utilizes its District appropriations to fund the closing of schools. At times the District of Columbia provides additional support through the form of a memorandum of understanding.

Kendall, Prebola and Jones
Certified Public Accountants

District of Columbia Public
Charter School Board
3333 14th Street, NW, Suite 210
Washington, DC 20010

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

We have audited the financial statements of the District of Columbia Public Charter School Board as of and for the year ended September 30, 2011, and have issued our report thereon dated February 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District of Columbia Public Charter School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District of Columbia Public Charter School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District of Columbia Public Charter School Board's financial statements are free of 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*.

We noted certain other matters that we reported to management of the organization in a separate letter dated February 17, 2012.

This report is intended solely for the information and use of management, others within the organization and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
February 17, 2012

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

There were no findings in the prior year.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. Summary of Auditor's Results

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

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

There were no findings in the current year.