ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Financial Statements and Supplemental Schedules Together with Reports of Independent Public Accountants

For the Years Ended June 30, 2016 and 2015

SB & COMPANY, LLC
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JUNE 30, 2016 AND 2015

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
Elsie Whitlow Stokes Community Freedom
Public Charter School

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Elsie Whitlow Stokes Community Freedom Public Charter School (the School), as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, 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; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public Law No. 104-134, 110 Stat. 1321-121, 2204(C)(11)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). 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 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.

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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 School as of June 30, 2016 and 2015, 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 basic financial statements as a whole. The accompanying supplemental schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements for the years ended June 30, 2016 and 2015. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 December 12, 2016, on our consideration of the School'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* in considering the School's internal control over financial reporting and compliance.

Washington, DC
December 12, 2016

SB + Company, LLC

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Statements of Financial Position
As of June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash	**$ 1,618,729**	$ 1,739,439
Investments	**8,917**	8,578
Accounts receivable	**163,694**	167,556
Grants receivable	**214,737**	85,111
Prepaid expenses	**-**	25,602
Total Current Assets	**2,006,077**	2,026,286
Property and equipment, net	**8,695,280**	8,931,209
Security deposit	**7,101**	7,101
Deferred financing costs, net	**58,019**	74,210
Other assets	**128,641**	74,653
Total Assets	**$ 10,895,118**	$ 11,113,459
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 455,354**	$ 452,224
Deferred compensation	**127,844**	76,484
Deferred revenue	**61,081**	45,503
Capital lease - current portion	**2,577**	6,472
Notes payable - current portion	**275,037**	316,706
Total Current Liabilities	**921,893**	897,389
Capital lease, net of current portion	**-**	1,546
Notes payable, net of current portion	**6,123,891**	6,412,864
Interest rate swap	**317,114**	193,696
Total Liabilities	**7,362,898**	7,505,495
Net Assets		
Unrestricted	**3,532,220**	3,607,964
Total Liabilities and Net Assets	**$ 10,895,118**	$ 11,113,459

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Statements of Activities and Changes in Net Assets
For the Years ended June 30, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Revenue and Support:		
Per pupil allocations	**$ 4,442,675**	$ 5,308,667
DC facilities allowance	**1,093,400**	1,075,200
Federal entitlements	**213,960**	237,147
Federal grants	**387,271**	551,939
Grants and contributions	**202,956**	53,098
Before and after care	**264,234**	270,109
Student fees	**77,916**	55,581
Food services	**584,708**	608,640
Interest income	**5,843**	416
Building rental	**26,350**	29,450
Program fees	**53,958**	10,712
Special events, net of $5,750 of direct expenses for 2016	**15,493**	-
Other	**14,495**	5,059
Total Revenue and Support	**7,383,259**	8,206,018
Expenses		
Program Services	**6,213,054**	6,102,143
Supporting Services:		
General and administrative	**990,467**	975,031
Fundraising	**132,064**	130,007
Total Supporting Services	**1,122,531**	1,105,038
Total Expenses	**7,335,585**	7,207,181
Change in Unrestricted Net Assets	**47,674**	998,837
Non-Operating Expense		
Loss from interest rate swap	**123,418**	25,637
Changes in net assets	**(75,744)**	973,200
Net assets, beginning of year	**3,607,964**	2,634,764
Net Assets, End of Year	**$ 3,532,220**	$ 3,607,964

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Statements of Cash Flows
For the Years ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Operating gain	**$ 47,674**	$ 998,837
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	**319,602**	313,327
Net unrealized (gain) loss on investments	**(339)**	126
Loss from interest rate swap	**(123,418)**	(25,637)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	**3,862**	(138,485)
Grants receivable	**(129,626)**	134,253
Prepaid expenses	**25,602**	9,209
Accounts payable and accrued expenses	**3,130**	(41,997)
Deferred compensation	**51,360**	76,484
Deferred revenue	**15,578**	(202,497)
Interest rate swap liability	**123,418**	25,637
Net Cash from Operating Activities	**336,843**	1,149,257
Cash Flows from Investing Activities		
Purchases of property and equipment	**(67,482)**	(46,676)
Purchases of investments	**(53,988)**	(49,529)
Cash Flows from Investing Activities	**(121,470)**	(96,205)
Cash Flows from Financing Activities		
Principal payments on capital leases	**(5,441)**	(4,533)
Principal payments on notes payable	**(330,642)**	(318,301)
Net Cash from Financing Activities	**(336,083)**	(322,834)
Net change in cash	**(120,710)**	730,218
Cash, beginning of year	**1,739,439**	1,009,221
Cash, End of Year	**$ 1,618,729**	$ 1,739,439
Supplemental Disclosure		
Cash paid during the year for interest	**$ 332,206**	$ 346,098

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

1. ORGANIZATION AND PROGRAM

Elsie Whitlow Stokes Community Freedom Public Charter School (the School) was incorporated in 1998 as a public charter school and enrolls students in kindergarten through fifth grade. The School's mission is to provide an exemplary academic experience in a small nurturing environment to 350 culturally diverse, young children and to focus on high academic standards, early foreign languages, multi-cultural and international education, and to prepare students for citizenship through community service. The School's revenue and other support consist primarily of contributions and grants from the District of Columbia and the Federal government.

On July 1, 1998, the School entered into a contract with the District of Columbia Board of Education granting the School a charter for the establishment of a public charter school in Washington, DC. The charter was renewed on July 1, 2013, and shall continue for a term of 15 years unless renewed, revoked, or terminated by the District of Columbia Board of Education for violations of applicable laws and conditions, terms and procedures set forth in the charter. The School's current charter provides for enrollment of up to 350 students in kindergarten through sixth grade. Under the provisions of the contract, the District of Columbia Board of Education is to make annual payments to the School for services provided to the students based on the number of students attending the School each year.

In June 2014, the School became part of a consortium of schools, including: the District of Columbia Bilingual Public Charter School (DC Bilingual); Latin American Montessori Bilingual Public Charter School (LAMB); Mundo Verde Bilingual Public Charter School (Mundo Verde); and Washington Yu Ying Public Charter School (Yu Ying) (collectively, Consortium Members) that jointly formed the District of Columbia International School (DCI). DCI operates as a public charter school and currently serves students in sixth and seventh grades but will eventually enroll students in grades six through twelve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair market value. Investment income, including unrealized gains or losses, is reported through the change in net assets as unrestricted unless restricted by the donor or by law.

Accounts and Grants Receivable

The School provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The School's estimate is based on historical collection experience and a review of the current status of specific accounts and grants receivable. There was no allowance for the years ended June 30, 2016 and 2015, as management believes that these amounts are fully collectible.

Property and Equipment, Net

Property and equipment valued in excess of $500, are capitalized and recorded at cost if purchased or estimated fair market value as of the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Deferred Financing Costs

Deferred financing costs consist of debt issuance costs, such as bank fees and legal costs associated with obtaining the note payable from BB&T Bank. The debt financing costs are $113,339, and are being amortized using the straight-line method over the term of the loan, which approximates the effective interest rate method. Amortization cost for each of the years ended June 30, 2016 and 2015, was $16,191, and was recorded as amortized loan fees in the accompanying statements of functional expenses. The accumulated amortized expenses as of June 30, 2016 and 2015, were $55,320 and $39,129, respectively.

Net Assets

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose uses by the School have been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets. There were no temporarily restricted net assets as of June 30, 2016 and 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Permanently restricted net assets are those that are restricted by donors to be maintained by the School in perpetuity. There were no permanently restricted net assets as of June 30, 2016 and 2015.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded when pledged and classified as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions.

Revenue Recognition

The School receives a student allocation from the District of Columbia as well as Federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statements of financial position. Revenue from other government sources are recognized as earned. Food service revenue is recognized for food services provided to other schools. Costs are shared and the schools are billed based on an allocation of the number of meals provided. In addition, the School recognizes building rental revenue for the rental of the School space on weekends, program fees for summer school, and revenue from special events, such as fundraising galas.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the School.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable District of Columbia income tax laws.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions for the year ended June 30, 2016, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2016, the statute of limitations for fiscal years 2013 through 2016, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Subsequent Events

The School evaluated subsequent events and transactions through December 12, 2016, the date the financial statements were available for issue, and has determined that no material subsequent events have occurred, except as noted below, that would affect the information presented in the accompanying financial statements or require additional disclosure.

In July 2016, the School entered into a financing agreement with the District of Columbia and Greenworks Lending LLC to obtain a loan of $1,429,554, for the installation of energy improvements (roofing, HVAC, etc). These improvements will be performed under the District of Columbia's Energy Efficiency Loan Program, in which the energy savings are to provide the excess cash to pay the principal and interest payments for the loan. Interest shall accrue on the unpaid principal balance of the funds at a rate of 6.2% per annum, with principal and interest payments of $64,829, due every six months until the loan is paid off in September 2036, beginning March 31, 2017.

3. INVESTMENTS

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for investments measured at fair value.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

3. INVESTMENTS (continued)

The following table sets forth by level, the fair value hierarchy of the School's investments at fair value as of:

	As of June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Large growth funds	**$ 8,917**	**$ -**	**$ -**	**$ 8,917**

	As of June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Large growth funds	$ 8,578	$ -	$ -	$ 8,578

Gains and losses on investments are reported in the accompanying statements of activities and change in net assets as interest income. The unrealized gains (losses) on the mutual funds for the years ended June 30, 2016 and 2015, were $339 and ($126), respectively.

4. PROPERTY AND EQUIPMENT

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	2016	**2015**	**Estimated Useful Life**
Building	**$ 10,735,987**	$ 10,735,987	39 years
Furniture and equipment	**139,643**	91,766	5 years
Leasehold improvements	**63,323**	58,718	10 years
Auto	**9,003**	9,003	5 years
Capital leases	**54,357**	54,357	3-5 years
Construction in progress	**15,000**	-	
Total	**11,017,313**	10,949,831	
Less: accumulated depreciation	**2,322,033**	2,018,622	
Property and Equipment, Net	**$ 8,695,280**	$ 8,931,209	

Depreciation expense was $303,411 and $297,136, for the years ended June 30, 2016 and 2015, respectively.

5. NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2016 and 2015:

Notes Payable	Maturity	2016	2015
BB&T Note Payable of $6,868,000	January 18, 2020	**$ 6,304,793**	$ 6,478,061
BB&T Note Payable of $612,000	January 18, 2017	**94,135**	251,509
Total Notes Payable		**$ 6,398,928**	$ 6,729,570

In January 2013, the School signed an agreement with BB&T Bank (the Bank) to refinance its United Bank construction note payable and the DC Office of Public Chartered Schools note payable. The term loan has a principal balance of $6,304,793, as of June 30, 2016, and bears interest at 1 month LIBOR plus 2.75. The interest rate as of June 30, 2016 and 2015, was 3.25% and 2.94%, respectively. Principal and interest payments of $37,399, are due monthly, with the balance due in full at the end of the seven-year period.

The School also entered into an agreement with the Bank to pay off its loan with Building Hope. The principal balance of the term loan is $94,135, as of June 30, 2016, and bears interest at 3.21% annually. The four-year term loan requires monthly principal payments of $13,603, plus interest and matures on January 18, 2017.

The future minimum payments on the notes payable as of June 30, 2016, were as follows:

Years Ending June 30,	Amount
2017	$ 275,037
2018	188,874
2019	197,197
2020	5,737,820
Total	**$ 6,398,928**

These notes have certain financial covenants that require annual financial statements to be submitted within 120 days after year end, semi-annual interim financial statements to be provided within 30 days of each 6-month time period, and maintenance of debt service financial ratios. The School was in violation of the covenants for submitting the annual financial statements within 120 days after year end for the year ended June 30, 2016. The School has received a waiver from the Bank.

Interest expense on these notes was $454,593 and $369,796, for the years ended June 30, 2016 and 2015, respectively.

6. LINE OF CREDIT

In January 2013, the School obtained a line of credit that allows for borrowings of up to \$100,000. The line of credit has an interest rate at the Bank's prime rate. Any outstanding balances on this line of credit are secured by all assets of the School. There was no outstanding balance as of June 30, 2016 and 2015.

7. VALUATION OF INTEREST RATE SWAP AGREEMENT

In July 2013, the School entered into an interest rate swap agreement with a bank for a six-and-a-half year term ending January 2020, to fix the effective interest rate on the note payable. Under the agreement, the School pays the bank a fixed rate of interest at 4.91%, and the bank pays the School a variable rate of interest based on 2.75% of LIBOR index on a monthly basis. The interest payments are based on the notional amount which is equal to the outstanding principal balance of the notes payable, which was \$6,304,793 and \$6,478,061, as of June 30, 2016 and 2015, respectively. In accordance with accounting principles generally accepted in the United States of America, as of June 30, 2016 and 2015, the School recorded a liability of \$317,114 and \$193,696, respectively, which approximated the fair market value of the interest rate swap. An adjustment was recorded to properly state the swap liability at fair market value, and the amount was included in the mortgage interest expense in the accompanying statements of activities and change in net assets. The amount of swap interest incurred for the years ended June 30, 2016 and 2015, was \$123,418 and \$25,637, respectively.

8. RETIREMENT PLAN

The School has a 403(b) plan. All full time employees who have reached the age of 21 and have been employed for more than one year are eligible to participate in this tax-deferred retirement plan (the Plan). The School's contribution is 3% for employees with less than four years of experience and 5% thereafter. Employees may also make discretionary contributions. Pension expense totaled \$139,755 and \$112,503, for the years ended June 30, 2016 and 2015, respectively.

Supplemental Executive Retirement Plan

Effective January 30, 2014, the School provides a noncontributory supplemental executive retirement plan (the SERP plan) for a certain executive under section 457(f) of the Internal Revenue Code of 1986, as amended. The School's contributions to the SERP plan are established each year at the discretion of the Board of Directors. The participant is vested based on the provisions set forth in the SERP plan document, which was approved by the Board of Directors during fiscal year 2014. As of June 30, 2016 and 2015, the School held \$128,641 and \$74,653, respectively, of deferred compensation in an account that is administered by the School, which has been recorded as other assets in the accompanying statements of financial position.

9. COMMITMENTS AND CONTINGENCIES

Grants

The School receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.

The School receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2016 and 2015, the School earned revenue of $6,137,306 and $7,172,953, from the District of Columbia, which is 83% and 87% of the total revenue and support, respectively. These amounts are reflected as per pupil allocation, and Federal grants and entitlements in the accompanying statements of activities and change in net assets.

Operating Lease

The School leases equipment under a non-cancelable operating lease agreement. The lease ended on June 30, 2016.

Capital Lease

The School also leases a vehicle under a capital lease that expires in 2017. The leased vehicle is included in property and equipment at a cost of $30,152, of which $15,745, was financed.

The future minimum payment as of June 30, 2016 is $2,697, to be paid during the year ended June 30, 2017.

Interest expense related to the capital leases was $1,031 and $1,939, for the years ended June 30, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2016 and 2015 with Comparable Totals for 2015

	2016				2015
	Educational Programs	General and Administrative	Fundraising	Total	Total
SALARIES, TAXES AND BENEFITS					
Salaries	$ 3,245,077	$ 586,460	$ 78,195	$ 3,909,732	$ 4,048,795
Employee benefits	674,810	121,954	16,260	813,024	791,311
Professional development	74,810	13,520	1,803	90,133	32,026
Total salaries, taxes and benefits	3,994,697	721,934	96,258	4,812,889	4,872,132
DIRECT STUDENT COSTS					
Supplies and materials	75,872	-	-	75,872	122,536
Contracted instruction fees	305,198	-	-	305,198	225,611
Student assessments	5,560	-	-	5,560	9,411
School activities	93,137	-	-	93,137	91,980
Food services	146,249	-	-	146,249	131,394
DCI - consortium fees	55,073	-	-	55,073	49,906
Other student costs	51,394	-	-	51,394	76,142
Total direct student costs	732,483	-	-	732,483	706,980
OCCUPANCY EXPENSES					
Note payable interest expense	274,875	49,676	6,624	331,175	344,159
Capital lease interest expense	855	155	21	1,031	1,939
Amortized loan fees	13,438	2,429	324	16,191	16,191
Utilities	80,054	14,468	1,929	96,451	92,226
Contracted building services	154,127	27,854	3,714	185,695	191,408
Maintenance and repairs	32,563	5,885	785	39,233	37,582
Depreciation	229,075	41,399	5,520	275,994	275,994
Total occupancy expenses	784,987	141,866	18,917	945,770	959,499
OFFICE EXPENSES					
Office supplies and materials	14,544	2,628	350	17,522	8,842
Office equipment rental/maintenance	-	-	-	-	262
Depreciation	22,756	4,113	548	27,417	21,142
Telecommunications	46,967	8,488	1,132	56,587	20,025
Professional fees	76,382	13,804	1,841	92,027	126,051
Printing and publications	62,197	11,241	1,499	74,937	54,967
Postage and shipping	511	92	12	615	1,145
Other	10,179	1,839	245	12,263	9,941
Total office expenses	233,536	42,205	5,627	281,368	242,375
GENERAL EXPENSES					
Insurance	61,723	11,155	1,487	74,365	62,643
Dues and subscriptions	13,217	2,389	319	15,925	8,630
Transportation	5,827	1,053	140	7,020	8,337
Food services - Stokes Kitchen	294,064	53,144	7,086	354,294	238,236
DC PCSB administration fee	61,242	11,068	1,476	73,786	70,905
Marketing and advertising	2,277	412	55	2,744	3,839
Bank/credit card service fees	14,194	2,565	342	17,101	11,238
Other general expense	14,807	2,676	357	17,840	22,367
Total general expenses	467,351	84,462	11,262	563,075	426,195
Total Expenses	$ 6,213,054	$ 990,467	$ 132,064	$ 7,335,585	$ 7,207,181

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2015

	Educational Programs	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				
Salaries	$ 3,360,500	$ 607,319	$ 80,976	$ 4,048,795
Employee benefits	656,788	118,697	15,826	791,311
Professional development	26,581	4,804	641	32,026
Total salaries, taxes and benefits	4,043,869	730,820	97,443	4,872,132
DIRECT STUDENT COSTS				
Supplies and materials	122,536	-	-	122,536
Contracted instruction fees	225,611	-	-	225,611
Student assessments	9,411	-	-	9,411
School activities	91,980	-	-	91,980
Food services	131,394	-	-	131,394
DCI - consortium fees	49,906	-	-	49,906
Other student costs	76,142	-	-	76,142
Total direct student costs	706,980	-	-	706,980
OCCUPANCY EXPENSES				
Note payable interest expense	285,652	51,624	6,883	344,159
Capital lease interest expense	1,609	291	39	1,939
Amortized loan fees	13,438	2,429	324	16,191
Utilities	76,547	13,834	1,845	92,226
Contracted building services	158,869	28,711	3,828	191,408
Maintenance and repairs	31,193	5,637	752	37,582
Depreciation	229,075	41,399	5,520	275,994
Total occupancy expenses	796,383	143,925	19,191	959,499
OFFICE EXPENSES				
Office supplies and materials	7,339	1,326	177	8,842
Office equipment rental/maintenance	218	39	5	262
Depreciation	17,548	3,171	423	21,142
Telecommunications	16,620	3,004	401	20,025
Professional fees	104,622	18,908	2,521	126,051
Printing and publications	45,623	8,245	1,099	54,967
Postage and shipping	950	172	23	1,145
Other	8,251	1,491	199	9,941
Total office expenses	201,171	36,356	4,848	242,375
GENERAL EXPENSES				
Insurance	51,994	9,396	1,253	62,643
Dues and subscriptions	7,162	1,295	173	8,630
Transportation	6,919	1,251	167	8,337
Food services - Stokes Kitchen	197,736	35,735	4,765	238,236
DC PCSB administration fee	58,851	10,636	1,418	70,905
Marketing and advertising	3,186	576	77	3,839
Bank/credit card service fees	9,327	1,686	225	11,238
Other general expense	18,565	3,355	447	22,367
Total general expenses	353,740	63,930	8,525	426,195
Total Expenses	$ 6,102,143	$ 975,031	$ 130,007	$ 7,207,181

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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*

The Board of Trustees
Elsie Whitlow Stokes Community Freedom
Public Charter School

Report on the Financial Statements

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 Elsie Whitlow Stokes Community Freedom Public Charter School (the School), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 12, 2016.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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.*

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC
December 12, 2016

SB & Company, LLC