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, 2018 and 2017

SB & COMPANY, LLC
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JUNE 30, 2018 AND 2017

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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 Elsie Whitlow Stokes Community Freedom Public Charter School (the School), as of June 30, 2018 and 2017, 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, 2018 and 2017, 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. 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 November 27, 2018, 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, D.C.
November 27, 2018

SB & Company, LLC

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Statements of Financial Position
As of June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 758,428	$ 1,656,451
Investments	10,348	9,889
Accounts receivable	596,385	162,707
Grants receivable	733,823	111,359
Prepaid expenses	43,145	24,640
Total Current Assets	2,142,129	1,965,046
Property and equipment, net	10,053,865	9,834,804
Security deposit	12,102	7,102
Other asset	247,908	189,308
Total Assets	$ 12,456,004	$ 11,996,260
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 514,588	$ 492,928
Deferred compensation	230,564	179,204
Deferred revenue	60,097	58,548
Notes payable - current portion	235,801	227,363
Total Current Liabilities	1,041,050	958,043
Non-Current Liabilities		
Notes payable, net of current portion	7,043,811	7,265,764
Interest rate swap	31,882	88,605
Total Non-Current Liabilities	7,075,693	7,354,369
Total Liabilities	8,116,743	8,312,412
Net Assets		
Unrestricted	3,939,261	3,563,848
Temporarily restricted	400,000	120,000
Total Net Assets	4,339,261	3,683,848
Total Liabilities and Net Assets	$ 12,456,004	$ 11,996,260

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, 2018 and 2017

	2018	2017
UNRESTRICTED NET ASSETS		
Revenue and Support:		
Per pupil allocations	$ 4,897,320	$ 4,576,741
DC facilities allowance	1,117,455	1,093,400
Federal entitlements	193,747	190,280
Federal grants	341,374	242,377
Grants and contributions	869,894	274,582
Before and after care	283,853	290,786
Student fees	54,823	43,835
Food services	512,109	400,623
Interest income, net	10,735	13,239
Building rental	2,000	3,800
Program fees	67,769	72,160
Fundraising revenue	12,196	24,938
Other	20,020	5,292
Satisfaction of program restrictions	120,000	-
Total Revenue and Support	8,503,295	7,232,053
Expenses		
Program Services	6,912,429	6,272,341
Supporting Services:		
General and administrative	1,122,507	1,020,523
Fundraising	149,669	136,070
Total Supporting Services	1,272,176	1,156,593
Total Expenses	8,184,605	7,428,934
Non-Operating Revenue (Expense)		
Change in fair market value, net	56,723	228,509
Change in Unrestricted Net Assets of Interest Rate Swap	375,413	31,628
TEMPORARILY RESTRICTED NET ASSETS		
Grants and contributions	400,000	120,000
Net assets released from restrictions	(120,000)	-
Change in Temporarily Restricted Net Assets	280,000	120,000
Changes in net assets	655,413	151,628
Net assets, beginning of year	3,683,848	3,532,220
Net Assets, End of Year	$ 4,339,261	$ 3,683,848

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

Statements of Cash Flows
For the Years ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	**$ 655,413**	$ 151,628
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	**367,968**	334,492
Amortization of debt issuance costs	**16,192**	16,192
Net unrealized gain on investments	**(459)**	(972)
Interest rate swap gain	**(56,723)**	(228,509)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	**(433,678)**	987
Grants receivable	**(622,464)**	103,378
Prepaid expenses	**(18,505)**	(24,640)
Security deposit	**(5,000)**	-
Accounts payable and accrued expenses	**21,660**	37,574
Deferred compensation	**51,360**	51,360
Deferred revenue	**1,549**	(2,533)
Net Cash from Operating Activities	**(22,687)**	438,957
Cash Flows from Investing Activities		
Purchases of property and equipment	**(587,029)**	(1,474,018)
Purchases of investments	**(58,600)**	(60,667)
Cash Flows from Investing Activities	**(645,629)**	(1,534,685)
Cash Flows from Financing Activities		
Principal payments on capital leases	**-**	(2,577)
Proceeds from notes payable	**-**	1,429,554
Principal payments on notes payable	**(229,706)**	(293,527)
Net Cash from Financing Activities	**(229,706)**	1,133,450
Net change in cash	**(898,023)**	37,722
Cash, beginning of year	**1,656,451**	1,618,729
Cash, End of Year	**$ 758,428**	$ 1,656,451
Supplemental Disclosure		
Cash paid during the year for interest	**$ 390,674**	$ 374,110

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, 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, D.C. 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. The School opened a new location and started accepting enrollment in 2018 – 2019 school 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 to tenth grade and will include eleventh and twelfth graders by 2020.

In June 2018, the School's charter amendment was approved to open a second campus and increased the enrollment ceiling from 350 to 750 students. For school year 2018 - 2019, the second location opened with Pre-Kindergarten and Kindergarten classes and each year a grade will be added until reaching Grade 5. In addition, the School entered into a 5 year lease with the Charter School Incubator Initiative to lease the first 2 floors of 5600 East Capitol St. NE, Washington, DC. The lease also includes options for multiple lease renewals.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2018 and 2017, 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.

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. Temporarily restricted net assets were $400,000 and $120,000 for the education program as of June 30, 2018 and 2017, respectively.

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, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, 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, 2018, the statute of limitations for fiscal years 2015 through 2018, 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU N. 2016-02. These standards will be effective for periods beginning after December 15, 2019.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, that provides clarification on certain topics related to these topics. These standards are effective when the related previous amended standards become effective.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. This standard is effective for periods beginning after December 15, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Management is evaluating the effects of these pronouncements on the financial statements, and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

The School evaluated subsequent events and transactions through November 27, 2018, the date the financial statements were available for issue, and has determined that no material subsequent events have occurred, except as described in Note 1.

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 accounting principles generally accepted in the United States of America 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.

3. INVESTMENTS (continued)

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.

The following table sets forth by level, the fair value hierarchy of the School's investments at fair value as of June 30, 2018 and 2017:

	As of June 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Target date funds	**$ 247,908**	**$ -**	**$ -**	**$ 247,908**
Large growth funds	**10,348**	**-**	**-**	**10,348**
Total mutual funds	**$ 258,256**	**$ -**	**$ -**	**$ 258,256**

	As of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Target date funds	$ 189,308	$ -	$ -	$ 189,308
Large growth funds	9,889	-	-	9,889
Total mutual funds	$ 199,197	$ -	$ -	$ 199,197

Gains and losses on investments are reported in the accompanying statements of activities and change in net assets as interest income. The unrealized gains on the mutual funds for the years ended June 30, 2018 and 2017, were $459 and $972, respectively.

4. PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017	Estimated Useful Life
Building	**$ 10,735,987**	$ 10,735,987	39 years
Furniture and equipment	**139,643**	139,643	5 years
Building improvements	**1,557,287**	1,541,961	10 years
Leasehold improvements	**571,703**	-	5 years
Auto	**19,382**	19,382	5 years
Total	**13,024,002**	12,436,973	
Less: accumulated depreciation	**2,970,137**	2,602,169	
Property and Equipment, Net	**$ 10,053,865**	$ 9,834,804	

Depreciation expense was $367,968 and $334,492, for the years ended June 30, 2018 and 2017, respectively.

5. NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2018 and 2017:

Notes Payable	Maturity	2018	2017
DC's Energy Efficiency Loan	December 1, 2036	**$ 1,370,231**	$ 1,411,063
BB&T Note Payable	January 18, 2020	**5,935,017**	6,123,891
Total Notes Payable		**$ 7,305,248**	$ 7,534,954

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 original amount of the loan was $6,868,000. The term loan has a principal balance of $5,935,017, as of June 30, 2018, and bears interest at 1 month London Interbank Offered Rate (LIBOR) plus 2.75%. The interest rate as of June 30, 2018 and 2017, was 4.84% and 3.97%, respectively. Principal and interest payments of $37,399, are due monthly, with the balance due in full on January 18, 2020. The School named the Bank on the deed of trust lien for the building.

Debt issuance costs are costs incurred in refinancing the loan obtained to acquire the land and building. Debt issuance costs are deferred and amortized on a basis that approximates the effective interest method over the term of the debt agreement and recorded as amortization on the accompanying statements of activities and change in net assets. The amortization expense (charged to interest expense) for the debt issuance cost was $16,191, for the years ended June 30, 2018 and 2017. The accumulated amortization expense as of June 30, 2018 and 2017, was $87,703 and $71,512, respectively.

5. NOTES PAYABLE (continued)

Loan payable consists of following as of June 30, 2018 and 2017:

		2018		2017
Principal amount	**$**	**7,305,248**	$	7,534,954
Less: unamortized debt issuance cost		**25,636**		41,827
Notes Payable, net	**$**	**7,279,612**	$	7,493,127

The future minimum payments on the notes payable as of June 30, 2018, were as follows:

Years Ending June 30		Amount
2019	$	235,801
2020		5,781,156
2021		46,328
2022		49,286
2023		52,433
Thereafter		1,140,244
Total	**$**	**7,305,248**

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, 2018. The School has received a waiver from the bank.

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.

Interest expense on these notes was $390,674 and $374,110 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

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 BB&T 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% plus 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 \$5,935,017 and \$6,123,891, as of June 30, 2018 and 2017, respectively. In accordance with accounting principles generally accepted in the United States of America, as of June 30, 2018 and 2017, the School recorded a liability of \$31,882 and \$88,605, 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 gain (loss) from interest rate swap in the accompanying statements of activities and change in net assets. The amount of gain from interest rate swap incurred for the years ended June 30, 2018 and 2017, was \$56,723 and \$228,509, 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 \$150,682 and \$134,341, for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the School held \$247,908 and \$189,308, 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, 2018 and 2017, the School earned revenue of $7,121,599 and $6,102,798, from the District of Columbia, which is 84% and 84%, respectively, of the total revenue and support. These amounts are reflected as per pupil allocation and Federal grants and entitlements in the accompanying statements of activities and change in net assets.

SUPPLEMENTARY INFORMATION

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2018 with Comparable Totals for 2017

	2018				2017
	Educational Programs	General and Administrative	Fundraising	Total	Total
SALARIES, TAXES AND BENEFITS					
Salaries	$ 3,880,303	$ 701,260	$ 93,501	$ 4,675,064	$ 4,175,120
Employee benefits	780,227	141,005	18,800	940,032	794,893
Professional development	81,243	14,682	1,958	97,883	47,153
Total salaries, taxes and benefits	4,741,773	856,947	114,259	5,712,979	5,017,166
DIRECT STUDENT COSTS					
Supplies and materials	109,319	-	-	109,319	100,808
Contracted instruction fees	306,348	-	-	306,348	274,537
Student assessments	13,458	-	-	13,458	7,482
School activities	115,516	-	-	115,516	84,147
Food services	121,910	-	-	121,910	136,996
DCI - consortium fees	-	-	-	-	1,177
Other student costs	34,674	-	-	34,674	20,298
Total direct student costs	701,225	-	-	701,225	625,445
OCCUPANCY EXPENSES					
Note payable interest expense	324,259	58,601	7,814	390,674	373,990
Amortized loan fees	13,438	2,429	324	16,191	-
Capital lease interest expense	-	-	-	-	120
Utilities	64,985	11,744	1,566	78,295	89,287
Contracted building services	131,369	23,741	3,166	158,276	138,628
Maintenance and repairs	40,929	7,397	986	49,312	23,484
Depreciation	229,075	41,399	5,520	275,994	275,994
Total occupancy expenses	804,055	145,311	19,376	968,742	901,503
OFFICE EXPENSES					
Office supplies and materials	4,021	727	97	4,845	4,166
Depreciation	76,338	13,796	1,840	91,974	58,498
Telecommunications	55,925	10,107	1,348	67,380	62,325
Professional fees	112,770	20,380	2,718	135,868	130,414
Printing and publications	66,861	12,083	1,611	80,555	108,666
Postage and shipping	381	69	9	459	467
Other	-	-	-	-	15,648
Total office expenses	316,296	57,162	7,623	381,081	380,184
GENERAL EXPENSES					
Insurance	53,980	9,755	1,301	65,036	69,289
Dues and subscriptions	7,508	1,357	181	9,046	7,336
Transportation	7,345	1,327	177	8,849	8,767
Food services - Stokes Kitchen	205,422	37,124	4,950	247,496	307,363
DC PCSB administration fee	54,216	9,799	1,306	65,321	89,928
Marketing and advertising	4,980	900	120	6,000	-
Bank/credit card service fees	12,970	2,344	312	15,626	14,014
Other general expense	2,659	481	64	3,204	7,939
Total general expenses	349,080	63,087	8,411	420,578	504,636
Total Expenses	$ 6,912,429	$ 1,122,507	$ 149,669	$ 8,184,605	$ 7,428,934

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Supplemental Schedule of Vendors Receiving More than $25,000
For the Year Ended June 30, 2018

	Educational Programs	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				
Salaries	$ 3,465,350	$ 626,268	$ 83,502	$ 4,175,120
Employee benefits	659,761	119,234	15,898	794,893
Professional development	39,137	7,073	943	47,153
Total salaries, taxes and benefits	4,164,248	752,575	100,343	5,017,166
DIRECT STUDENT COSTS				
Supplies and materials	100,808	-	-	100,808
Contracted instruction fees	274,537	-	-	274,537
Student assessments	7,482	-	-	7,482
School activities	84,147	-	-	84,147
Food services	136,996	-	-	136,996
DCI - consortium fees	1,177	-	-	1,177
Other student costs	20,298	-	-	20,298
Total direct student costs	625,445	-	-	625,445
OCCUPANCY EXPENSES				
Note payable interest expense	310,411	56,099	7,480	373,990
Capital lease interest expense	100	18	2	120
Utilities	74,108	13,393	1,786	89,287
Contracted building services	115,061	20,794	2,773	138,628
Maintenance and repairs	19,491	3,523	470	23,484
Depreciation	229,075	41,399	5,520	275,994
Total occupancy expenses	748,246	135,226	18,031	901,503
OFFICE EXPENSES				
Office supplies and materials	3,458	625	83	4,166
Office equipment rental/maintenance	-	-	-	-
Depreciation	48,553	8,775	1,170	58,498
Telecommunications	51,729	9,349	1,247	62,325
Professional fees	108,244	19,562	2,608	130,414
Printing and publications	90,193	16,300	2,173	108,666
Postage and shipping	388	70	9	467
Other	12,988	2,347	313	15,648
Total office expenses	315,553	57,028	7,603	380,184
GENERAL EXPENSES				
Insurance	57,510	10,393	1,386	69,289
Dues and subscriptions	6,089	1,100	147	7,336
Transportation	7,277	1,315	175	8,767
Food services - Stokes Kitchen	255,112	46,104	6,147	307,363
DC PCSB administration fee	74,640	13,489	1,799	89,928
Bank/credit card service fees	11,632	2,102	280	14,014
Other general expense	6,589	1,191	159	7,939
Total general expenses	418,849	75,694	10,093	504,636
Total Expenses	$ 6,272,341	$ 1,020,523	$ 136,070	$ 7,428,934

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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, 2018, 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 November 27, 2018.

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
November 27, 2018

SB & Company, LLC