WASHINGTON MATH SCIENCE TECHNOLOGY
PUBLIC CHARTER HIGH SCHOOL, INC.

Annual Financial and Compliance Audit
For the Year Ended June 30, 2018

WASHINGTON MATH SCIENCE TECHNOLOGY
PUBLIC CHARTER HIGH SCHOOL, INC.

FOR THE YEAR ENDED JUNE 30, 2018

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McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Washington Math Science Technology
Public Charter High School, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Math Science Technology Public Charter High School, Inc. (the "School"), which comprise the statement of net assets in liquidation as of June 30, 2018, and the related statements of changes in net assets in liquidation for the period April 26, 2018 to June 30, 2018, 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 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 from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets in liquidation of the School as of June 30, 2018, and the changes in its net assets in liquidation for the period April 26, 2018 to June 30, 2018, and its results of operations and its cash flows for the period from July 1, 2017 to April 25, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, the DC Public Charter School Board determined on April 25, 2018, to close the School at the end of the school year, accordingly the School's financial statements are prepared on the liquidation basis of accounting. Generally accepted accounting principles require financial statements to be prepared on the liquidation basis of accounting when an entity is in liquidation or when liquidation is imminent. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

McConnell & Jones

Washington, D.C.
December 1, 2018

WASHINGTON MATH SCIENCE TECHNOLOGY
PUBLIC CHARTER HIGH SCHOOL, INC.
STATEMENT OF NET ASSETS IN LIQUIDATION
JUNE 30, 2018

Cash and cash equivalents	$	108,966
Due from District of Columbia		59,654
Accounts payable		(122,294)
Accrued expenses		(471,467)
Net assets in liquidation (deficit)	$	(425,141)

The accompanying notes are an integral part of these financial statements

WASHINGTON MATH SCIENCE TECHNOLOGY
PUBLIC CHARTER HIGH SCHOOL, INC.
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
FOR THE PERIOD APRIL 26, 2018 TO JUNE 30, 2018

Net assets in liquidation as of April 25, 2018 (deficit)	$	(945,362)
Remeasurement of Assets and Liabilities		520,221
Net assets in liquidation as of June 30, 2018 (deficit)	$	(425,141)

The accompanying notes are an integral part of these financial statements

WASHINGTON MATH SCIENCE TECHNOLOGY
PUBLIC CHARTER HIGH SCHOOL, INC.

STATEMENT OF ACTIVITIES

FOR THE PERIOD ENDED JULY 1, 2017 TO APRIL 25, 2018

REVENUES		
Unrestricted Revenue:		
Per pupil allotment	$	4,247,374
Federal		468,513
Grants and contributions		94,179
Other		91,111
Toatal Unrestricted Revenue		4,901,177
EXPENSES		
Program services		3,650,976
General and administration		1,397,636
Fundraising		7,078
TOTAL EXPENSES		5,055,690
Change in net assets		(154,513)
NET ASSETS, BEGINNING OF YEAR		(790,849)
NET ASSETS, END OF PERIOD	$	(945,362)

The accompanying notes are an integral part of these financial statements

WASHINGTON MATH SCIENCE TECHNOLOGY PUBLIC CHARTER HIGH SCHOOL, INC.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED APRIL 25, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (154,513)
Adjustments to Reconcile Change in Net Assets to Net Cash provided by perating Activities:	
Depreciation and amortization	352,103
Change in:	
Receivables	88,414
Prepaids	4,379
Accounts payable	(127,279)
Accrured expenses	(65,657)
Unearned revenue	583,777
Net cash provided in operating activities	681,224
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(9,135)
Net cash used in investing activities	(9,135)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(222,565)
Net cash used in financing activities	(222,565)
INCREASE IN CASH	449,524
CASH, BEGINNING OF YEAR	39,209
CASH, END OF PERIOD	$ 488,733
Supplemental Disclosure	
Interest paid	$ 207,335

The accompanying notes are an integral part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Washington Math Science Technology Public Charter High School, Inc. (WMST or the School) is an independent public charter school incorporated on January 29, 1998, under the laws of the District of Columbia (DC or District) as specified in the District of Columbia School Reform Act. As of April 25, 2018, the School's authorizer, the DC Public Charter School Board, determined that the School would shut down at the end of the school year. The school does not currently have any business operations and will continue to exist solely for the purpose of winding down all its affairs in an orderly fashion.

Liquidation Basis of Accounting and Presentation

The DC Public Charter School Board determined on April 25, 2018 to close the School. The financial statements of the School were prepared on a liquidation basis of accounting in conformity with accounting principles generally accepted in the United States (U.S. GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

The following is a summary of revenue and expenses incurred from the liquidation period after year end from July 1, 2018 thru the report release date:

Revenues	511,193
Expenses	77,420
Changes in Net Assets in Liquidation	433,773

Cash and Cash Equivalents

The School considers all monies in banks and highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. The carrying value approximates fair value because of the short maturities of those financial instruments. The school did not have any cash equivalents as of June 30, 2018.

Receivables

Grants receivable consists of outstanding collections from federal entitlements and is stated at net realizable value. On a periodic basis, management evaluates its receivable balances and establishes an allowance for doubtful accounts based on management's analysis of possible bad debts. It is the School's policy to write off uncollectible balances receivable when management determines that the receivable will not be collected.

Property and Equipment

The school capitalizes all property and equipment which include land and improvements, buildings and improvements, and furniture and equipment, are reported in the financial statements. The school capitalizes all property and equipment with an individual cost of more than $1,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty years, using the straight-line method of depreciation. Leasehold improvements are depreciated over the life of the lease. Expenditures for additions, major renewals and betterments are capitalized. Maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which in then treated as cost.

Per Pupil Appropriations

The School receives a per student allocation from the District of Columbia to cover the cost of academic and facilities expenses. Pupil allocation revenue is recognized in the period when it is earned, which is the school year for which the allocation is made. Unearned pupil allocation collections are recorded as deferred revenue.

Contributions and Grants

The School accounts for contributions in accordance with FASB ASC Topic 958-605, Not-for-Profit Entities-Revenue Recognition. In accordance with FASB ASC Topic 958-605, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Tax

The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The exemption from District of Columbia income taxes was granted to the School effective May, 2000. Accordingly, income taxes are not provided for in the accompanying financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

The School applies the provisions of FASB ASC 740, Income Taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The School's Federal income tax returns for the years 2015 through 2017 remain open to examination by IRS, and District authorities for three years after they are filed.

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 certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the School's financial statements are related to the School's estimate of revenue and receivable for Per Pupil Appropriations, depreciation expense and the functional allocation of expenses.

Functional allocation of Expenses

The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2: CONCENTRATION OF CREDIT RISK

The School maintains its cash in financial institutions where, at times, balances may exceed the federally insured limit of $250,000. The School has not experienced losses on such accounts and management believes that the risk of loss, if any, is minimal. The School had no uninsured balances exceeding the federally insured limit in 2018.

NOTE 3: RESTRICTED CASH

The school is required to maintain a separate escrow account for payment of its mortgage principal and interest. At June 30, 2018 the balance was $0 since the mortgage has been paid off.

NOTE 4: DUE FROM DISTRICT GOVERNMENT

The school receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2018, the amount due from the District was $59,654.

NOTE 5: DEFERRED CHARGES

Deferred charges represent cost related to mortgage issuance costs. The costs are amortized over the life of the note. Since the note was paid off, the deferred charges are zeroed out now that the note is gone.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment was sold and or distributed at the end of the year with the school being shut down. Depreciation was $408,098 for the year ended June 30, 2018.

NOTE 7: LINE OF CREDIT

The School had a $300,000 line-of-credit open that was paid off at the end of the fiscal year.

NOTE 8: NOTE PAYABLE

In 2008 the School converted a notes payable into a debt instrument to consolidate its debt and obtain more favorable interest rates. The conversion resulted in the issuance of $8,048,000 tax free, twenty-five year Series 2008 District Revenue Bonds (the "Bonds") due August 1, 2033, with Amortization Payment Dates within those years. The term of these bonds is twenty-five years at an interest rate of 3.11% per annum. The debt was paid off with the proceeds received from the sale of the building at the end of the fiscal year. The interest paid during the fiscal year was $207,335. The custodian of the loan is United Bank.

NOTE 9: RETIREMENT PLAN

The School established a Simplified Employee Pension/Teachers' Retirement Association (SEP/TRA) Qualified Retirement Plan (Plan) on behalf of its teachers and other employees completing six months of service. The Plan provides for discretionary employer contributions. During fiscal year 2018, the School contributed $128,042 to the plan. The plan is included in accrued expenses on the statement of liquidation in net assets.

NOTE 10: PER PUPIL ALLOTMENT

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 72% of the School's total revenue.

The per pupil allotment consist of the following for the fiscal year ended June 30, 2018:

Education	$ 4,134,522
Facilitites	727,942
	$ 4,862,464

NOTE 11: SUBSEQUENT EVENTS

The school has evaluated any subsequent events through December 1, 2018, which is the date the financial statements were available to be issued. This review and evaluation revealed no material events that would have an effect on the accompanying financial statements.

SUPPLEMENTARY INFORMATION

WASHINGTON MATH SCIENCE TECHNOLOGY PUBLIC CHARTER HIGH SCHOOL, INC.

Schedule of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	General and Administration	Fundraising	Total
Personnel, Salaries and Benefits				
Salaries	$ 2,243,183	$ 846,521	$ -	$ 3,089,704
Payroll taxes	179,408	121,176	-	300,584
Frindge benefits	359,304	214,147	-	573,451
Training and development	59,490	35,405	-	94,895
Consultants	-	3,772	-	3,772
Total Personnel, Salaries and Benefits	2,841,385	1,221,021	-	4,062,406
Direct Student Cost				
Contracted insturctional fees	565,777	-	-	565,777
Supplies and materials	112,983	-	-	112,983
Miscellaneous student activity	43,002	-	-	43,002
Textbooks	1,296	-	-	1,296
AVID program	16,818	-	-	16,818
IB program	32,611	-	-	32,611
Student transportation	23,398	-	-	23,398
Other student costs	15,616	-	-	15,616
Student sports expense	31,143	-	-	31,143
Teacher and student recruitment	276	-	-	276
Total Direct Student Costs	842,920	-	-	842,920
Occupancy Eexpenses				
Mortagage interest	151,997	55,338	-	207,335
Repairs and maintenance	36,060	13,128	-	49,188
Janitorial expenses	8,567	3,118	-	11,685
Utilities	90,853	33,075	-	123,928
Depreciation - facilities	271,509	136,589	-	408,098
Total Office Expenses	558,986	241,248	-	800,234
Office Expenses				
Supplies and materials	13,927	23,683	-	37,610
Equipment rental	9,560	16,256	-	25,816
Telephone	36,869	13,143	-	50,012
Printing and reproduction	8,390	14,668	536	23,594
Postage	2,860	4,348	-	7,208
Computers		5,128	-	5,128
Dues and subcriptions	716	4,947	-	5,663
Total Office Expenses	72,322	82,173	536	155,031
General Expenses				
Depreciation and amortization	-	-	-	-
Food services and lunch program	178,118	-	-	178,118
Insurance	27,307	17,026	-	44,333
Catering	-	14,026	-	14,026
Other general expenses	30,186	33,144	9,719	73,049
Legal audit fees	45,398	59,258	-	104,656
Charter admin and program fees	-	45,905	-	45,905
School crossing	40,929	-	-	40,929
Bank fees	-	33,890	-	33,890
Amount to Zero and hide	-	-	-	-
Interest	-	-	-	-
Total General Expenses	321,938	203,249	9,719	534,906
Total Expenses	$ 4,637,551	$ 1,747,691	$ 10,255	$ 6,395,497

COMPLIANCE AND INTERNAL CONTROLS

MJ McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors of
Washington Math Science Technology
Public Charter High School, Inc.

We have audited, in accordance with the 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 Washington Math Science Technology Public Charter High School, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2018 which contained an unmodified opinion on these financial statements.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is 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.

McConnell & Jones

Houston, Texas
December 1, 2018

WASHINGTON MATH SCIENCE TECHNOLOGY
PUBLIC CHARTER HIGH SCHOOL, INC.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

PART 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a) Material weaknesses identified?	No
b) Significant deficiencies identified which are not considered to be material weaknesses?	No
c) Noncompliance material to the financial statements noted?	No

PART II: FINDINGS

FINANCIAL STATEMENT

There are no findings reported.

PART III: STATUS OF PRIOR YEAR FINDINGS

Finding No. 2017-001: Significant Deficiency in Internal Controls Over Financial Reporting

Condition: During the course of our audit procedures, we noted the following:

1. The School did not properly account for and record payables as part of its year end close process in accordance with U.S. GAAP. During the course of our audit, it was noted that the School failed to accrue salaries and related benefits as well as retirement contributions.
2. The School did not properly account for depreciation on fixed assets in accordance with U.S. GAAP. While it was noted that depreciation was not recorded on existing depreciable assets in the current year.

Criteria: Effective internal controls over financial reporting include proper recording of transactions in the general ledger, adequate supervision and review of transactions to assure the completeness and accuracy of financial information.

Status: Corrective action was taken.