

COMMUNITY COLLEGE PREPARATORY ACADEMY
PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Community College Preparatory
Academy Public Charter School
2405 Martin L. King Jr. Ave SE
Washington, DC 20020

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Community College Preparatory Academy Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community College Preparatory Academy Public Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are not a required part of the financial statements. 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, 2017, on our consideration of the Community College Preparatory Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 Community College Preparatory Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 1, 2017

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,020,360	\$ 8,336
Accounts Receivable	218,413	23,856
Grants Receivable	16,522	-
Prepaid Expenses	<u>15,947</u>	<u>11,361</u>
Total Current Assets	<u>\$ 1,271,242</u>	<u>\$ 43,553</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 315,558</u>	<u>\$ 172,196</u>
Total Fixed Assets	<u>\$ 315,558</u>	<u>\$ 172,196</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 27,573</u>	<u>\$ 29,596</u>
Total Other Assets	<u>\$ 27,573</u>	<u>\$ 29,596</u>
TOTAL ASSETS	<u>\$ 1,614,373</u>	<u>\$ 245,345</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 197,930	\$ 39,558
Accrued Interest Payable	-	3,931
Accrued Salaries	-	14,131
Accrued Vacation	13,664	13,457
Payroll Withholding and Related Liabilities	7,398	-
Deferred Revenues	151,606	-
Short-Term Loans Payable	-	10,000
Current Portion: Capital Lease	<u>563</u>	<u>2,693</u>
Total Current Liabilities	<u>\$ 371,161</u>	<u>\$ 83,770</u>
<u>Long-Term Liabilities:</u>		
Capital Lease Payable	\$ 563	\$ 3,256
Less: Current Portion	<u>(563)</u>	<u>(2,693)</u>
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 563</u>
Total Liabilities	<u>\$ 371,161</u>	<u>\$ 84,333</u>
<u>Net Assets (Deficit):</u>		
Unrestricted	\$ 1,243,212	\$ 159,847
Temporarily Restricted	<u>-</u>	<u>1,165</u>
Total Net Assets (Deficit)	<u>\$ 1,243,212</u>	<u>\$ 161,012</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,614,373</u>	<u>\$ 245,345</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 4,093,066	\$ -	\$ 4,093,066	\$ 3,027,181	\$ -	\$ 3,027,181
Tuition - Facilities Allowance	1,483,900	-	1,483,900	1,093,400	-	1,093,400
Contract Revenue	810,650	-	810,650	-	-	-
State Government Grants	16,522	-	16,522	54,904	-	54,904
Private Grants and Contributions	17,292	302,857	320,149	2,976	81,953	84,929
Interest	444	-	444	-	-	-
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>304,022</u>	<u>(304,022)</u>	<u>-</u>	<u>83,388</u>	<u>(83,388)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 6,725,896</u>	<u>\$ (1,165)</u>	<u>\$ 6,724,731</u>	<u>\$ 4,261,849</u>	<u>\$ (1,435)</u>	<u>\$ 4,260,414</u>
<u>Expenses:</u>						
Educational Services	\$ 5,009,984	\$ -	\$ 5,009,984	\$ 3,561,657	\$ -	\$ 3,561,657
General and Administrative	584,280	-	584,280	492,740	-	492,740
Fundraising	<u>48,267</u>	<u>-</u>	<u>48,267</u>	<u>43,211</u>	<u>-</u>	<u>43,211</u>
Total Expenses	<u>\$ 5,642,531</u>	<u>\$ -</u>	<u>\$ 5,642,531</u>	<u>\$ 4,097,608</u>	<u>\$ -</u>	<u>\$ 4,097,608</u>
Changes in Net Assets	\$ 1,083,365	\$ (1,165)	\$ 1,082,200	\$ 164,241	\$ (1,435)	\$ 162,806
Net Assets at Beginning of Year	<u>159,847</u>	<u>1,165</u>	<u>161,012</u>	<u>(4,394)</u>	<u>2,600</u>	<u>(1,794)</u>
Net Assets (Deficit) at End of Year	<u>\$ 1,243,212</u>	<u>\$ -</u>	<u>\$ 1,243,212</u>	<u>\$ 159,847</u>	<u>\$ 1,165</u>	<u>\$ 161,012</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,082,200	\$ 162,806
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	129,426	84,933
Accounts Receivable - (Increase)/Decrease	(194,557)	32,178
Grants Receivable - (Increase)/Decrease	(16,522)	4,450
Deposits - (Increase)/Decrease	2,023	(5,000)
Prepaid Expenses - (Increase)/Decrease	(4,586)	22,614
Accounts Payable - Increase/(Decrease)	158,372	(139,692)
Accrued Interest Payable - Increase/(Decrease)	(3,931)	598
Accrued Salaries - Increase/(Decrease)	(14,131)	14,131
Accrued Vacation - Increase/(Decrease)	207	(8,322)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	7,398	-
Deferred Revenues - Increase/(Decrease)	<u>151,606</u>	<u>(97,964)</u>
Net Cash Flows from Operating Activities	<u>\$ 1,297,505</u>	<u>\$ 70,732</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets and Leasehold Improvements	<u>\$ (272,788)</u>	<u>\$ (131,504)</u>
Net Cash Flows from Investing Activities	<u>\$ (272,788)</u>	<u>\$ (131,504)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments on Short-Term Loan	\$ (10,000)	\$ (30,000)
Payments on Capital Lease	<u>(2,693)</u>	<u>(1,677)</u>
Net Cash Flows from Financing Activities	<u>\$ (12,693)</u>	<u>\$ (31,677)</u>
Net Increase in Cash and Cash Equivalents	\$ 1,012,024	\$ (92,449)
Cash and Cash Equivalents at Beginning of Year	<u>8,336</u>	<u>100,785</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,020,360</u>	<u>\$ 8,336</u>

Supplemental Disclosures:

- a) Interest in the amount of \$4,942 and \$1,581 was paid during the years ended June 30, 2017 and 2016, respectively.
- b) No income taxes were paid during the years ended June 30, 2017 and 2016.

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Community College Preparatory Academy Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on July 23, 2012, exclusively for educational purposes. The Community College Preparatory Academy Public Charter School is in its fifth year of operation as Adult Charter School. The main site is located at 2405 Martin Luther King Ave., SE, with satellite sites at Gibbs School (900 15th Street, NE) and MC Terrell (3301 Wheeler Road, SE). The mission of CC Prep is to provide the education and skills development to empower and prepare under-credited adults for post-secondary educational success, viable employment and lifelong learning.

The Charter School's primary sources of support are local appropriations for charter schools from the District of Columbia.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

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

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

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

Charter School Funding

The Charter School receives a student allocation from the District of Columbia 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 Charter 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.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Charter School Funding (Continued)

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed. As of June 30, 2017, there was \$49,132 of deferred contract revenues.

(c) Corporate Taxes:

The Community College Preparatory Academy Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective September 24, 2014. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(1)(A)(ii). The Charter School did not have any net unrelated business income for the years ended June 30, 2017 and 2016.

The Community College Preparatory Academy Public Charter School is also exempt from District of Columbia sales, franchise, and personal property taxes.

(d) Grants:

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

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

(e) Net Assets:

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

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

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets were available at year end for the following purpose:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Student Transportation Funds	\$ _____ -	\$ _____ 1,165
Total	<u>\$ _____ -</u>	<u>\$ _____ 1,165</u>

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
MC Terrell Campus Buildout	\$ 275,357	\$ -
Sponsorship - Evening with the Stars	27,000	25,450
Student Transportation Funds	1,165	1,935
IT Training	500	-
Gibbs Campus Buildout	_____ -	_____ 56,003
Total	<u>\$ 304,022</u>	<u>\$ 83,388</u>

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2017 and 2016.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services and materials recorded in the financial statements for the years ended June 30, 2017 and 2016.

(g) Basic Programs:

The design of the Charter School was in response to two major challenges confronting the District of Columbia, namely:

1. The increasing number of adults in their prime wage earning years, entering post-secondary education unprepared to successfully complete an Associate Degree or Advanced Vocational Certifications; and
2. The overwhelming number of DC residents unable to be employed in the city due to the lack of core academic skills and the lack of certificated workforce skills required by the city's knowledge-based economy.

The instructional model for CC Prep responds to these challenges by providing remediation in core academic skills, core skills in computer literacy, on-line learning, and preparation for a range of highly portable, national certifications to support entry to the city's job market. Special focus prepares students for employment in the technology and tech-related fields. This focus was selected as it offers the broadest range of options for entry-level employment, including everything from a Data Entry Clerk to Certified Help Desk and Cabling technician.

CC Prep has a staff of 35 and SY'2017 operating budget of over \$5 million this year. CC Prep was approved by the DC Public Charter School Board in January 2012 and classes began in September 2013. The Founder and Executive Director, C. Vanessa (Connie) Spinner, has more than 30 years of experience in education and workforce development. CC Prep is able to maintain administrative and fiscal infrastructure as part of the city's ongoing public dollar funding commitment established by the charter school legislation. The Charter School's charter has been approved for five years with graduated funding based on student enrollment. The Director of Operations, Monica Jones, has deep experience in accounting and operational management; on-line academic instruction by Lab manager Liam Ball, who has over five years of educational experience in on-line instruction. The Student Support team is led by Senior Student Success Specialist, Yvonne Hollis, who has advanced credentials and over 25 years of experience with Adult Education and Workforce Development programming; and employment support by Employment Specialist Norman Nixon, who has more than 20 years of employment training and placement experience.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

The Charter School's programming is based on the four outcomes for CC Prep adult learners:

1. Successful high school completion via the new High School Equivalency Examination (GED);
2. Successful entry into Community College at freshman level as a result of preparation for the ACCUPLACER entry examination;
3. Successful completion of national entry-level employment certifications in the emerging fields for the District of Columbia (i.e., technology, administrative support and health careers); and/or
4. Successful attainment of necessary skills in reasoning, mathematics, computers, and on-line research required for life-long learning in the twenty-first century.

In our third year, we continued to expand our role as a Microsoft Office Academy School. We provided free training and assessment toward national certification(s). We added a highly qualified Microsoft Office Suite (MOS) trainer to our ranks to markedly expand student access to this critical baseline employment skill. As a result, we were the second most productive MOS site among the Microsoft Academies with over 140 successful MOS certifications this year.

Other cloud-based national certifications were added to support entry-level employment in the District's knowledge based economy. Whenever possible, a blended learning approach that married active learning with on-line reinforcement is employed. Based upon review of our student data, we continued as a year-round school and operated from 9:00 am to 9:00 pm daily, providing instruction in three-hour sessions: 9:00 am to 12:00 noon, 1:00 pm to 4:00 pm and 5:00 pm to 8:45 pm Monday through Thursday evenings.

All adult learners are assessed initially and at regular intervals (every 6 to 8 weeks based on initial grade equivalent scores) using the ETABE (Test of Adult Basic Education). The ETABE was selected as it is aligned with My Foundations Lab, the core curriculum and the new GED. The new GED preparation program was developed to align with the Common Core Standards and has remained the declared goal for 55% of all enrolled students. Based on the assessment analysis, students complete an Individual Learning Plan (ILP) with their assigned Student Success Specialist. They also sign off on a learning contract and agree to make every effort to comply with school requirements for attendance, individual bi-weekly academic reviews and semi-annual progress reviews. All students spend a minimum of fifteen hours a week in class. In addition to regularly scheduled ETABE assessments, students are assessed for skill mastery as part of the curricular design. Once students reach the 7th grade 5th month level in Reading, they are eligible to begin Microsoft Word training, which is now recommended for all students. When students reach the 9th grade level in Reading and Mathematics, students participate in either GED or ACCUPLACER Boot Camps (weekly Intensive Workshops focusing specifically on test taking skills), in addition to their weekly classes. They can also at this point, enter advanced IT certification. All education and training services are free to DC residents.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

CC Prep will work with a sub-contractor/partner, The H.O.P.E. Project (THP) to provide a Tier 1 Help Desk and Desktop Support Youth Tech training program to 100 District of Columbia residents between the ages of 18-24. The programming will include assessment, case management and connection to a range of supportive services for any young person in need of services in order to stay in school and fully participate in the program. The custom designed IT training program will include specific help desk technical training, CompTIA A+ certification training, technical professional development, career and social coaching. Additionally, the program will place each participant in a twelve-week internship, provide ongoing job placement assistance, and follow-up services. The follow-up services will include access to a well-developed and tested graduate alumni program and advanced training opportunities and participation in the THP lecture series. Each participant will be paired with a Help Desk program graduate currently working on a help desk for a major federal or District of Columbia government contractor that has completed the THP mentorship training program.

(h) Functional Expense Allocation Policies and Procedures:

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

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

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

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

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

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

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

(j) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(k) Fair Value of Certain Financial Instruments:

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

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School'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 Community College Preparatory Academy Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2017, the Charter School had no accruals for interest and/or penalties.

3. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Demand Deposit Accounts	\$ 510,422	\$ -
Checking Account - Non Interest Bearing	499,350	8,336
Money Market Savings	<u>10,588</u>	<u>-</u>
Total	<u>\$ 1,020,360</u>	<u>\$ 8,336</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. CASH AND CASH EQUIVALENTS: (Continued)

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with original maturities of three months or less.

The Charter School maintains its operating funds in one financial institution in the form of non-interest bearing business checking accounts, demand deposit accounts and money market savings. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2017, \$260,688 of the bank balance was deposited in excess of Federal Deposit Insurance Corporation Limits. As of June 30, 2016, the bank balance was fully insured. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Deposit Placement and Sweep Agreements

In order to minimize credit risk on deposits, the Charter School has entered into a deposit placement agreement with United Bank. Through this agreement, funds deposited in excess of \$250,000 are transferred by the bank to other depository institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are held in Demand Deposit Accounts (DDA) with the financial institutions which provides for unlimited withdrawals.

4. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Accounts Receivable:</u>		
Contracts	\$ 110,218	\$ -
Reimbursable Expenses	92,059	4,201
Reimbursable Health Insurance	3,135	4,425
Reimbursable Payroll Taxes	11,801	15,230
Employee Receivable	1,000	-
Other	<u>200</u>	<u>-</u>
Total Accounts Receivable	<u>\$ 218,413</u>	<u>\$ 23,856</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Accounts and Grants Receivable (Continued)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Grants Receivable:</u>		
School Technology	\$ <u>16,522</u>	\$ _____
Total Grants Receivable	\$ <u>16,522</u>	\$ _____

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for amounts owed to it through the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2017 and 2016.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when collection efforts have been exhausted.

Promises Receivable

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

5. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$129,426 and \$84,933, respectively. Maintenance and repairs are charged to expenses as incurred.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2017

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Fixtures	5 Years	\$ 222,583	\$ 75,986	\$ 146,597
Computer and Office Equipment	3 Years	365,438	206,342	159,096
Leasehold Improvements	Remaining Life of Lease	<u>23,894</u>	<u>14,029</u>	<u>9,865</u>
Total		<u>\$ 611,915</u>	<u>\$ 296,357</u>	<u>\$ 315,558</u>

June 30, 2016

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Fixtures	5 Years	\$ 121,240	\$ 35,632	\$ 85,608
Computer and Office Equipment	3 Years	193,993	122,049	71,944
Leasehold Improvements	Remaining Life of Lease	<u>23,894</u>	<u>9,250</u>	<u>14,644</u>
Total		<u>\$ 339,127</u>	<u>\$ 166,931</u>	<u>\$ 172,196</u>

6. DEFERRED REVENUE:

The Charter School records cash receipts on grants in excess of costs incurred on grants as deferred revenue until they are expended for the purposes of the grant at which time they are recognized as unrestricted support. Contract revenues are recognized as the services are completed. The balance of deferred revenue as of June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Per Pupil Funding	\$ 102,474	\$ -
Contracts	<u>49,132</u>	<u>-</u>
Total	<u>\$ 151,606</u>	<u>\$ -</u>

7. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2014, the Charter School entered into a capital lease for the purchase of a CopyStar cs3550ci photocopier with Navitas Lease Corp. The original balance was in the amount of \$6,956 payable over 48 months with a monthly payment of \$296 and a maturity on August 26, 2017. Interest expense was \$863 and \$1,581 for the years ended June 30, 2017 and 2016, respectively, using an implicit rate of 3.40%. The lease is secured by the photocopy equipment that cost \$6,956 and is presented as part of furniture and equipment. For the years ended June 30, 2017 and 2016, amortization expense in the amount of \$1,739 on the photocopier is included in depreciation expense. Accumulated amortization was \$6,666 and \$4,927 at June 30, 2017 and 2016, respectively. The balance of the capital lease was \$563 and \$3,256 at June 30, 2017 and 2016, respectively.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. CAPITAL LEASE PAYABLE: (Continued)

The Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 593	\$ 563	\$ 30
Total Future Minimum Lease Payments	<u>\$ 593</u>	<u>\$ 563</u>	<u>\$ 30</u>

8. SHORT-TERM LOAN PAYABLE:

Loan Payable - Executive Director

On June 1, 2013, the Executive Director provided an unsecured loan to the Community College Preparatory Academy Public Charter School in the amount of \$40,000. This loan was to provide bridge financing for school start-up costs until such time as the first per-pupil funding allocation was made. Interest is to accrue at 4% per annum on the unpaid principal balance. Maturity was originally scheduled for September 1, 2013, however, maturity has been extended and is due on demand. The balance of the loan at June 30, 2017 and 2016, was \$1,000 and \$10,000, respectively. Accrued interest payable on this loan at June 30, 2017 and 2016 was \$-0- and \$3,931, respectively. Interest expense related to this loan for the years ended June 30, 2017 and 2016 was \$147 and \$598, respectively. This loan and related interest was paid in full during the year ended June 30, 2017.

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated July 1, 2013, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about July 1, 2028. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Community College Preparatory Academy is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review Community College Preparatory Academy's charter every five years, with the first such review scheduled for 2018. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2017 and 2016, the Charter School incurred \$64,041 and \$41,755, respectively, in administrative fees.

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

The Charter School enrollment ceiling for the year ended June 30, 2017, was not permitted to be greater than 475 students. Audit enrollment for the 2016/2017 year was 475 students and enrollment for the 2015/2016 year was 350 students.

10. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2017, the per-student rate was \$8,617 for the education allotment and \$3,124 for the facility allotment. For the year ended June 30, 2016, the per-student rate was \$8,448 for the education allotment and \$3,124 for the facility allotment. Additional allotments were made for Special Education and English as a Second Language. Per-pupil funding for the years ended June 30, 2017 and 2016 was as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Adult Education	\$ 4,093,066	\$ 2,956,758
Special Education	-	65,772
English as a Second Language	-	4,651
Facilities Allowance	<u>1,483,900</u>	<u>1,093,400</u>
Total	<u>\$ 5,576,966</u>	<u>\$ 4,120,581</u>

11. COMMITMENTS:

Building Lease - 2405 Martin L King, Jr. Avenue

The Community College Preparatory Academy Public Charter School entered into an operating lease rental agreement on June 1, 2013, effective July 1, 2013, with Howard Road Academy (currently operating as Cedar Tree Academy) for the rental of a school facility (11,000 square feet) located at 2405 Martin L King, Jr. Avenue, SE, Washington, DC. The term of this agreement was for an original one-year period continuing through June 30, 2014, with an option to renew the agreement for additional one year periods. This lease has been subsequently renewed through June 30, 2018, with monthly payments in the amount of \$21,000 commencing on July 1, 2017. As of June 30, 2017, monthly lease payments in the amount of \$20,000 were required. In addition, as a requirement of this lease, a rental security deposit of \$18,000 was made. The Community College Preparatory Academy Public Charter School is responsible for all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. Rent expense on this lease for the years ended June 30, 2017 and 2016, was \$240,000 and \$228,000, respectively. Future estimated required minimum rental lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Required Lease Payment</u>
2018	\$ <u>252,000</u>
Total	\$ <u>252,000</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS: (Continued)

Building Lease - 500 19th Street

The Community College Preparatory Academy Public Charter School entered into a sub-sublease rental agreement on July 9, 2015, with the Charter School Incubator Initiative (the sublessee) for the rental of a school facility located at 500 19th Street, NE, in Washington, DC. The rental lease is effective for a five-year period commencing on July 1, 2015, and expiring on June 30, 2020. As part of this agreement, the Charter School has the option to extend the term of the lease for three additional terms of five years each. As a requirement of this lease, a total rental security deposit of \$5,000 is to be made. An annual usage fee will be payable in quarterly installments. The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the District of Columbia. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. As a provision of this lease, the Community College Preparatory Academy Public Charter School has provided the Charter School Incubator Initiative a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises. Rent expense related to this lease for the years ended June 30, 2017 and 2016 was \$156,200 and \$218,680, respectively. This lease was terminated on July 1, 2017.

Building Lease - 3301 Wheeler Road

The Community College Preparatory Academy Public Charter School entered into a Use agreement with the Charter School Incubator Initiative for the rental of a school facility located at 3301 Wheeler Road, SE, Washington, DC 20032. The rental lease is effective for a 56-month period commencing on October 20, 2016, and expiring on June 30, 2021. As part of this agreement, the Charter School has the option to extend the term of the lease for three additional terms of five years each. As a requirement of this lease, a rental security deposit of \$5,000 is to be made. An annual usage fee will be payable in quarterly installments. The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the District of Columbia less an allowance of \$20,000 to cover the cost of the day porter, night cleaning and related supplies that are paid by the Charter School. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, maintenance and repairs, security monitoring and pest control. As a provision of this lease, the Community College Preparatory Academy Public Charter School has provided the Charter School Incubator Initiative a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises. Rent expense related to this lease for the year ended June 30, 2017, was \$542,320.

Photocopier Lease

The Charter School entered into an operating lease with Wells Fargo for the rental of a CS 5551C Copier. This lease called for thirty-six (36) monthly payments of \$395 commencing on October 1, 2016. Rental expense for the year ending June 30, 2017, was \$3,780.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS: (Continued)

Photocopier Lease (Continued)

Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 4,740
2019	4,740
2020	<u>1,185</u>
Total	<u>\$ 10,665</u>

Security Monitoring Lease

The Charter School entered into an operating lease with Kastle Systems for the monthly monitoring and operations of the Charter School's security system. This lease calls for thirty-six (36) monthly payments of \$414, commencing on January 31, 2014. Monthly payments at June 30, 2017, were \$544. Rental expense for the years ending June 30, 2017 and 2016 was \$3,808 and \$5,796, respectively.

Organization Credit Card

The Charter School utilizes a credit card issued by United Bank for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a combined credit limit of \$30,000 and is considered to be unsecured.

12. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation, at times, is supplemented with extra funds for students with special needs. During the years ended June 30, 2017 and 2016, eighty-three percent (83%) and ninety-seven percent (97%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

13. CONTINGENCIES:

The Charter School was granted its initial charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. CONTINGENCIES: (Continued)

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia. Any future change in dynamics could adversely affect the operations of public charter schools.

14. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 1, 2017, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Enrollment

Enrollment for the 2017/2018 school year is projected to be approximately six hundred (600) students. These enrollment numbers are up from the current enrollment number of four hundred seventy-five (475) students during the 2016/2017 school year.

Additional Funding - Washington Teacher's Union Contract

On October 1, 2017, the City Council approved the Washington Teacher's Union Contract. This contract will result in additional funds to both DC Public Schools and DC Public Charter Schools through an increase in the Uniform per Student Funding Formula. These additional funds result in a 5.9% increase above the original per pupil funding amounts. The Charter School will receive an additional one-time payment during the year ended June 30, 2018 to reflect the increase to the 2017 fiscal year per pupil funding base rate. The amount paid to the Charter School will be calculated based on the final enrollment audit count, supplemental payments and extended school year funding for the year ended June 30, 2017. The 2017 fiscal year base rate will increase by an amount of \$203 over the original base rate of \$9,682 to a revised base rate of \$9,885.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS:

Board of Directors

Two of the board members appointed to serve on the Board of Directors are adult students attending the Charter School. Student trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board.

16. FUNDRAISING:

During the years ended June 30, 2017 and 2016, expenses incurred for the purpose of fundraising was \$48,267 and \$43,211, respectively.

17. ADVERTISING:

Advertising costs are expensed when incurred. Advertising was conducted for the purpose of promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Advertising expenses in the amount of \$61,665 and \$11,270 were incurred during the years ended June 30, 2017 and 2016, respectively.

18. 401(k) PROFIT SHARING PLAN:

The Community College Prep Public Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by MG Trust Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. There is no unfunded past service liability. The Charter School contributes, on a matching basis, 3% of an employee's eligible wages to the plan. In addition, if an employee contributes an additional 2% (total of 5%), the Charter School will match 50% on this additional 2% contribution. The Charter School's contributions for the year ended June 30, 2017 were \$17,498.

19. EMPLOYEE BENEFITS:

The cost of employee benefits incurred for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Social Security/Medicare	\$ 150,102	\$ 117,581
Health Insurance	298,854	177,020
Retirement	17,498	-
Unemployment	13,838	9,729
Workers Compensation	5,171	29,019
DeMinimus	<u>5,286</u>	<u>8,009</u>
Total	<u>\$ 490,749</u>	<u>\$ 341,358</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

19. EMPLOYEE BENEFITS: (Continued)

Flexible Benefits Plan

The Charter School adopted a Section 125 Flexible Benefits Plan. Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health, dental and vision premiums and life insurance.

20. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Rent of Facilities	\$ 938,520	\$ 446,680
Contracted Building Services	108,601	100,306
Utilities	42,904	48,710
Building - Maintenance and Repairs	34,978	13,720
Depreciation - Leasehold Improvements	4,779	4,054
Janitorial Supplies	8,751	13,547
Rent - Other	<u>-</u>	<u>3,000</u>
Total	<u>\$ 1,138,533</u>	<u>\$ 630,017</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Executive Salaries	\$ 186,928	\$ 109,029	\$ 59,607	\$ 18,292	\$ 187,837	\$ 110,365	\$ 59,459	\$ 18,013
Other Support Staff Salaries	455,813	455,813	-	-	257,192	257,192	-	-
Student Specialist Salaries	349,735	349,735	-	-	231,680	231,680	-	-
Learning Lab Manager Salaries	274,189	274,189	-	-	246,030	246,030	-	-
Content Specialist Salaries	318,606	318,606	-	-	301,246	301,246	-	-
Business and Operations Salaries	437,384	215,464	221,545	375	395,940	188,937	205,690	1,313
Payroll Taxes	163,940	139,639	22,788	1,513	127,310	104,953	20,838	1,519
Employee Benefits	326,809	278,366	45,427	3,016	214,048	176,460	35,035	2,553
Professional Development	50,555	43,462	7,093	-	36,256	30,250	6,006	-
Total Personnel, Salaries and Benefits	\$ 2,563,959	\$ 2,184,303	\$ 356,460	\$ 23,196	\$ 1,997,539	\$ 1,647,113	\$ 327,028	\$ 23,398
<u>Direct Student Costs:</u>								
Electronic Student Learning Materials	\$ 600,952	\$ 600,952	\$ -	\$ -	\$ 625,364	\$ 625,364	\$ -	\$ -
Student Supplies and Materials	22,521	22,521	-	-	33,171	33,171	-	-
Consultants	72,205	72,205	-	-	130,756	130,756	-	-
Student Assessment Materials	52,244	52,244	-	-	17,627	17,627	-	-
Student Recruitment	47,960	47,960	-	-	1,638	1,638	-	-
Contracted Instruction	614,776	614,776	-	-	247,667	247,667	-	-
Textbooks	8,537	8,537	-	-	14,598	14,598	-	-
Other Student Costs	16,653	16,653	-	-	13,823	13,823	-	-
Total Direct Student Costs	\$ 1,435,848	\$ 1,435,848	\$ -	\$ -	\$ 1,084,644	\$ 1,084,644	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent of Facilities	\$ 938,520	\$ 799,402	\$ 130,456	\$ 8,662	\$ 446,680	\$ 368,238	\$ 73,113	\$ 5,329
Rent - Other	-	-	-	-	3,000	3,000	-	-
Contracted Building Services	108,601	92,503	15,096	1,002	100,306	82,691	16,418	1,197
Utilities	42,904	36,544	5,964	396	48,710	40,156	7,973	581
Building Maintenance and Repairs	34,978	29,793	4,862	323	13,720	11,310	2,246	164
Depreciation - Leasehold Improvement	4,779	4,071	664	44	4,054	3,342	664	48
Janitorial Supplies	8,751	7,454	1,216	81	13,547	11,168	2,217	162
Total Occupancy Costs	\$ 1,138,533	\$ 969,767	\$ 158,258	\$ 10,508	\$ 630,017	\$ 519,905	\$ 102,631	\$ 7,481

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>				<u>June 30, 2016</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 36,879	\$ 31,413	\$ 5,126	\$ 340	\$ 28,821	\$ 23,760	\$ 4,717	\$ 344
Office Equipment, Rental and Maintenance	6,554	5,583	911	60	1,985	1,122	223	640
Telecommunications	21,451	18,271	2,982	198	12,963	10,686	2,122	155
Printing and Copying	19,739	16,813	2,744	182	17,520	14,134	2,806	580
Postage and Shipping	378	322	52	4	1,343	1,107	220	16
Computer and Related	96,592	83,040	13,552	-	62,742	52,348	10,394	-
Marketing and Advertising	13,705	11,782	1,923	-	9,632	9,632	-	-
Total Office Expenses	<u>\$ 195,298</u>	<u>\$ 167,224</u>	<u>\$ 27,290</u>	<u>\$ 784</u>	<u>\$ 135,006</u>	<u>\$ 112,789</u>	<u>\$ 20,482</u>	<u>\$ 1,735</u>
<u>General Expenses:</u>								
Accounting, Auditing and Payroll	\$ 78,102	\$ 67,145	\$ 10,957	\$ -	\$ 96,616	\$ 80,611	\$ 16,005	\$ -
Authorizer Fee	64,041	55,056	8,985	-	41,755	34,838	6,917	-
Consultants	385	-	-	385	4,675	3,500	-	1,175
Insurance	3,336	2,868	468	-	2,695	2,249	446	-
Depreciation - Equipment	124,647	106,171	17,326	1,150	80,879	66,676	13,238	965
Interest Expense	1,010	-	1,010	-	2,179	-	2,179	-
Business Fees and Dues	19,508	16,771	2,737	-	6,211	5,084	1,009	118
Other General Expenses	17,864	4,831	789	12,244	15,392	4,248	2,805	8,339
Total General Expenses	<u>\$ 308,893</u>	<u>\$ 252,842</u>	<u>\$ 42,272</u>	<u>\$ 13,779</u>	<u>\$ 250,402</u>	<u>\$ 197,206</u>	<u>\$ 42,599</u>	<u>\$ 10,597</u>
Total Functional Expenses	<u>\$ 5,642,531</u>	<u>\$ 5,009,984</u>	<u>\$ 584,280</u>	<u>\$ 48,267</u>	<u>\$ 4,097,608</u>	<u>\$ 3,561,657</u>	<u>\$ 492,740</u>	<u>\$ 43,211</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

June 30, 2017

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 4,040,217	\$ 8,506
Occupancy Cost	1,138,533	2,397
General and Administrative	426,022	897
Fundraising	<u>37,759</u>	<u>79</u>
Total	<u>\$ 5,642,531</u>	<u>\$ 11,879</u>

The above is the average per student cost for the year ended June 30, 2017, and is based on a full time equivalent (FTE) enrollment of 475 students.

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 3,041,752	\$ 8,691
Occupancy Cost	630,017	1,800
General and Administrative	390,109	1,115
Fundraising	<u>35,730</u>	<u>102</u>
Total	<u>\$ 4,097,608</u>	<u>\$ 11,708</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 350 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Community College Preparatory Academy
Public Charter School
2405 Martin L. King Jr. Ave SE
Washington, DC 20020

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Community College Preparatory Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Community College Preparatory Academy Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community College Preparatory Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community College Preparatory Academy Public Charter 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community College Preparatory Academy Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 1, 2017

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Auditor's Results

- a. The auditor's report expresses an unmodified opinion whether on the financial statements of the Community College Preparatory Academy Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Community College Preparatory Academy Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

There were no findings in the current year.