

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS AND SCHEDULES
IN ACCORDANCE WITH OMB CIRCULAR A-133

With Reports of Independent Auditors

For the Years Ended June 30, 2012 and 2011

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Community Academy Public Charter School, Inc.

We have audited the accompanying statement of financial position of Community Academy Public Charter School, Inc. (CAPCS or the School) as of June 30, 2012, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Community Academy Public Charter School, Inc. were audited by other auditors whose report dated November 1, 2011 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Academy Public Charter School, Inc. as of June 30, 2012, and the change in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements of the School. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 procedures in accordance with the auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 1, 2012

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2012	2011
ASSETS		
Current Assets		
Cash	\$ 674,142	\$ 726,308
Cash and cash equivalents, restricted	2,658,700	2,237,808
Grants receivable	1,445,523	1,537,181
Accounts receivable	239,931	229,456
Employee advances	25,125	18,655
Prepaid expenses and other assets	105,901	70,858
Total current assets	5,149,322	4,820,266
Non-current Assets		
Property and equipment, net	27,032,112	28,472,660
Deposits	49,433	49,433
Deferred charges, net	3,066,681	3,205,926
Total non-current assets	30,148,226	31,728,019
Total Assets	\$ 35,297,548	\$ 36,548,285
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,140,439	\$ 2,052,325
Accrued expenses	2,260,150	2,155,949
Other liabilities	30,243	12,561
Deferred revenue	459,511	599,375
Notes payable, current	1,917,831	1,696,841
Total current liabilities	5,808,174	6,517,051
Notes payable, net of current portion	23,072,780	24,992,432
Total Liabilities	28,880,954	31,509,483
NET ASSETS		
Unrestricted	6,416,594	5,038,802
Total Liabilities and Net Assets	\$ 35,297,548	\$ 36,548,285

See notes to financial statements.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended June 30,	
	2012	2011
	Unrestricted	Unrestricted
REVENUE AND SUPPORT		
Revenue		
Per pupil allocations	\$ 24,923,026	\$ 23,555,478
Federal entitlements	2,348,305	2,634,344
Supplemental special needs funds	4,184,859	2,292,251
Sales and services	888,106	816,565
Tuition and fees	-	83,540
Other	148,007	196,123
Total Revenue	32,492,303	29,578,301
Support		
Private grants and contributions	15,166	38,063
Total Revenue and Support	32,507,469	29,616,364
EXPENSES		
Program services	26,490,825	24,979,929
Management and general	4,638,852	3,893,259
Total Expenses	31,129,677	28,873,188
CHANGE IN NET ASSETS	1,377,792	743,176
Net Assets, Beginning of Year	5,038,802	4,295,626
Net Assets, End of Year	\$ 6,416,594	\$ 5,038,802

See notes to financial statements.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS

	Year ended June, 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,377,792	\$ 743,176
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	1,767,804	1,791,018
Change in grants receivable	91,658	-
Change in accounts receivable	(10,475)	(227,245)
Change in employee advances	(6,470)	-
Change in prepaid and other assets	(35,043)	(18,775)
Change in accounts payable	(911,886)	380,624
Change in accrued expenses	104,201	(129,213)
Change in other liabilities	17,682	(19,254)
Change in deferred revenue	(139,864)	182,268
Net cash provided by operating activities	2,255,399	2,702,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(188,011)	(482,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on notes payable	(1,698,662)	(1,698,766)
Net cash used in financing activities	(1,698,662)	(1,698,766)
TOTAL CHANGE IN CASH	368,726	521,383
Cash, Beginning of Year	2,964,116	2,442,733
Cash, End of Year	\$ 3,332,842	\$ 2,964,116
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	\$ 1,248,518	\$ 1,352,550

See notes to financial statements.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

Community Academy Public Charter School, Inc. (CAPCS or the School) was established in the District of Columbia in 1998 to operate a network of public charter schools pursuant to subtitle B of the District of Columbia School Reform Act of 1995.

The District of Columbia Public Charter School Board (the Board) has oversight responsibility and chartering authority of all charter schools in the District of Columbia.

The School's activities are primarily funded by local appropriations of the District of Columbia Office of State Superintendent of Education (OSSE) which has local fiscal and federal compliance oversight of public charter schools.

Program services

Academics

The School has a mission to create a child and family-centered community-learning environment that offers world-class pre-school through secondary education. The model developed for the School is designed to reverse the negative outcomes facing many urban children and their families. This is accomplished by engaging children in powerful learning experiences based on world-class educational methods and standards, providing strong community and parental involvement, and fostering an energetic and highly motivated staff that respects the abilities and potential of each child to achieve. The entire school community works cooperatively to create a safe and caring learning environment that nurtures and empowers its students, their parents and the teaching staff. The current program supports pre-school through eighth grades.

Kids House

The School's students have an opportunity to fill their after-school hours with fun and engaging educational opportunities offered in the supportive and structured environment of Kids House. The Kids House program, available to parents for a modest fee, includes homework time, teacher-assisted tutoring, a hot meal, and creative activities taken from the multidiscipline Kids Kit curriculum. These activities allow children to investigate their own community, learn about other countries and cultures, explore the planets, help protect our Earth, and consider the qualities and skills needed to be a homegrown hero like a firefighter or a police officer. Kids House kids may also learn martial arts or receive instruction in gardening, dance, music or art. Field trips are offered to children enrolled in Kids House on days when the School is closed for staff development.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Food Service

Meals are provided throughout the day, starting with breakfast. Lunch is provided to all students desiring to participate. A snack and dinner are available for students participating in the Kids House program. The Food Service program is currently contracted out except for labor. Students not entitled to free or reduced meals pay a small fee.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies utilized in the preparation of the financial statements is as follows:

Basis of accounting

The accompanying financial statements of CAPCS are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). In accordance with GAAP, revenue and support are recognized when earned and expenses and related liabilities are recorded when the obligations are incurred. Revenue from federal government grants is recognized as related expenses are incurred.

Basis of presentation

The School's accompanying financial statement presentation follows not-for-profit guidelines under accounting principles generally accepted in the United States of America including *Not-for-Profit Entities - Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

Use of estimates

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

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates are used for, among other balances, accrued expenses, development costs, deferred revenue and useful lives for depreciation.

Cash and cash equivalents

The School considers all cash in banks and other short-term investments with original maturities of less than 90 days to be cash and cash equivalents. The School has restricted cash and cash equivalents in accordance with applicable bond documents for the purpose of renovating a building (see Note 8).

Grants and accounts receivable

Grants and accounts receivable are recorded at their net realizable value. The School records an allowance for doubtful accounts equal to estimated losses that will be incurred in the collection of receivables. The estimated losses are based on historical collection experience and the review of the current status of existing receivables.

Revenue recognition

Revenue from per pupil allocations and supplemental special needs funds is recognized during the School's operating cycle, which starts in August and ends in July. Revenue is received in four equal quarterly installments beginning in mid-July for the upcoming school year.

Contributions are recorded when pledged and classified as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions and grants whose restrictions are fulfilled in the same period are recorded as unrestricted support in the statements of activities and change in net assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions.

Property and equipment

Property and equipment valued in excess of \$500 are capitalized and recorded at cost if purchased or estimated fair market value as of the date of gift, if donated. Depreciation and amortization are recorded using the straight-line method over the estimated useful lives of the assets which range from 5 to 30 years.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

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

Temporarily restricted net assets are those whose uses by the School have been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets are those that are restricted by donors to be maintained by the School in perpetuity.

There were no temporarily or permanently restricted net assets as of June 30, 2012 and 2011.

Federal and charter school funding

The School receives a student allocation from the District of Columbia as well as Federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding and a facilities allotment. The School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statements of financial position.

Functional allocation of expenses

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

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 3 INCOME TAXES

The School received a determination letter from the Internal Revenue Service exempting it from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and applicable income tax laws and regulations of the District of Columbia. The School is classified as other than a private foundation within the meaning of Section 509(a)(1) of the Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

NOTE 4 UNCERTAIN TAX POSITION

In accordance with FASB ASC 740, *Income Taxes*, unrelated business income, if any, may be subject to income tax. CAPCS has analyzed its tax positions taken for filings with the Internal Revenue Service and the District of Columbia. CAPCS paid no taxes on unrelated business income in the years ended June 30, 2012 and 2011.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that CAPCS does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that CAPCS will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the School's tax returns for the tax years 2011, 2010 and 2009 are subject to examination by federal and state taxing authorities generally for three years from the date of filing.

NOTE 5 GRANTS AND ACCOUNTS RECEIVABLE

At June 30, 2012 and 2011, the School considered all grants and accounts receivable to be fully collectible. Accordingly, the School recorded no allowance for doubtful accounts as of either of those dates.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 6 PROPERTY AND EQUIPMENT

As of June 30, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Leasehold improvements	\$ 8,585,173	\$ 8,493,947
Building	23,834,885	23,774,885
Furniture and fixtures	1,018,222	1,004,418
Equipment	1,795,995	1,773,016
Total	35,234,275	35,046,266
Less: accumulated depreciation	(8,202,163)	(6,573,606)
Property and equipment, net	\$ 27,032,112	\$ 28,472,660

Depreciation expense for the years ended June 30, 2012 and 2011, was \$1,628,559 and \$1,651,772, respectively.

NOTE 7 DEFERRED CHARGES

Costs incurred in connection with the issuance of \$25 million Revenue Bonds (Community Academy Public Charter School, Inc. Issue), Series 2007 by the Government of the District of Columbia and a loan of \$3 million by Eagle Bank to finance the acquisition and renovation of the historic Armstrong School building (located at 100 P Street Northwest in Washington, D.C.), are capitalized and amortized using the effective interest method. These capitalized costs as of June 30, 2012 and 2011, consisted of the following:

	2012	2011
Costs	\$ 3,754,862	\$ 3,754,862
Less: Accumulated amortization	(688,181)	(548,936)
Deferred charges, net	\$ 3,066,681	\$ 3,205,926

Amortization expense was \$139,245 for each of the years ended June 30, 2012 and 2011.

NOTE 8 NOTES PAYABLE

On May 1, 2007, the School signed an additional note with the District for the issuance of \$25 million in Revenue Bonds (Community Academy Public Charter School, Inc. Issue), Series 2007 to finance the acquisition and renovation of the historic Armstrong School building located at 100 P Street, Northwest in Washington, D.C. The building is used for classrooms and administrative offices.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 8 NOTES PAYABLE (Continued)

The note required the School to make a deposit to restricted accounts for the periodic payment of bond interest and the retirement of bond principal. The bonds are secured by land, building, and certain revenues. The term of this bond is for thirty years at an interest rate of 4.5% per annum on \$4,200,000, 4.75% per annum on \$7,930,000, and 4.875% on \$12,870,000. The note matures on May 1, 2037. As of June 30, 2012 and 2011, the principal balance was \$23,540,000 and \$24,015,000, respectively. The School had \$951,814 and \$978,814 in restricted cash and cash equivalents at June 30, 2012 and 2011, respectively.

On November 14, 2008, the School entered into a note with Eagle Bank. The \$250,730 note was earmarked for the purchase of a utility truck and a security system. The term of this note is for five years at a 6.5% interest rate. As of June 30, 2012 and 2011, the principal balance was \$82,704 and \$134,248, respectively.

On July 29, 2009, CAPCS signed an additional \$3,000,000 note with Eagle Bank. The note was the result of the restructuring of pre-existing debt requiring monthly interest payments only on one portion of the loan through the maturity date. The loan was earmarked for the completion of the build-out to the second and third floors of the historic Armstrong School building, located at 100 P Street, Northwest in Washington, D.C. The remaining portion of the loan had a variable interest rate of 2% above the prime rate. This variable rate was no less than 6.5%. The note required the School to fund an interest reserve account with an initial minimum balance of \$500,000 and deposit \$105,223 quarterly into the principal reduction escrow account. These amounts totaling \$1,706,886 and \$1,285,994 as of June 30, 2012 and 2011, respectively, are included in the restricted cash and cash equivalents balance in the accompanying financial statements.

The principal balance on this note was \$1,367,907 and \$2,540,025 at June 30, 2012 and 2011, respectively.

	Original principal balance	Outstanding at June 30,	
		2012	2011
District of Columbia	\$ 25,000,000	\$ 23,540,000	\$ 24,015,000
Eagle Bank	3,000,000	1,367,907	2,540,025
Eagle Bank	250,730	82,704	134,248
Total	28,250,730	24,990,611	26,689,273
Less: Current Portion		(1,917,831)	(1,696,841)
Long Term Notes			
Payable, net	\$	\$ 23,072,780	\$ 24,992,432

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 8 NOTES PAYABLE (Continued)

Future principal payments on the above notes payable subsequent to the payoff of the Eagle Bank loans in July 2012 are as follows:

<u>Fiscal years ending June 30,</u>	<u>Principal</u>
2013	\$ 549,924
2014	547,780
2015	545,000
2016	575,000
2017	635,000
Thereafter	<u>20,770,000</u>
Total	<u>\$ 23,622,704</u>

NOTE 9 CONCENTRATION AND OTHER RISK

The School receives approximately 87% of its annual revenue from the District under a 15-year charter agreement. Under the charter agreement, the Board will review the School once every five years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of its charter agreement or if the School fails to meet the goals and student academic achievement expectations. The School completed its first review and received its accreditation in November 2003. The Board opted not to review the School in 2008. The accreditation from Middle States is up for renewal in May 2014.

The School has concentrated its credit risk for cash by maintaining deposits in banks that at times exceed the federally insured limit of \$250,000. The maximum potential loss that could have resulted from this concentration was \$588,692 and \$558,023 as June 30, 2012 and 2011, respectively. Management does not anticipate any risk of loss from this concentration.

NOTE 10 RETIREMENT PLANS

401k Plan

All full-time employees who have reached the age of 21 and have been employed for more than 90 days are eligible to participate in a tax-deferred retirement plan (the Plan). The Plan is a tax shelter annuity under Internal Revenue Code Section 401(k) and is administered by a life insurance company. The School is not required to make contributions to the Plan, and therefore, the School does not have any liability to the Plan.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 10 RETIREMENT PLANS (Continued)

Teachers' Pension Plan

Charter school legislation requires the School to contribute 0% of eligible teachers' salary into the District of Columbia Public Charter School Pension Plan. Eligibility for contribution to this Plan is based upon an approved leave of absence certification from DCPS. The leave of absence is granted for DCPS teachers who chose to take unpaid leave and teach in charter schools. As of June 30, 2012 and 2011, there were no teachers who were granted certifications, and therefore, no accrued expenses for teachers' pension costs are presented in the accompanying financial statements.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Grants

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

Operating Leases

Benjamin and Gladys Amos Elementary Campus

The School's facilities are located at 1300 Allison Street N.W. in Washington, DC on premises that are occupied under a lease with the District of Columbia Public School (DCPS) that expires in June 2013. The School pays monthly rent of \$2,000 to DCPS for this lease and an additional \$7,000 per month to a third-party management company as well as utilities, maintenance and renovations. Rent expense for this campus was \$108,000 for each of the years ended June 30, 2012 and 2011.

Benjamin and Gladys Amos Elementary Annex

In August 1999, the School entered into a lease agreement with DCPS for the use of the building, which is annexed to the Benjamin and Gladys Amos Elementary Campus. The lease is a year-to-year lease. Under this lease agreement, the School is obligated to pay a monthly rent of \$827 and an additional \$1,329 as its share of monthly operating expenses. In August 2010, the School entered into a one year lease for additional space with monthly rental payments of \$11,857. The rent for the years ended June 30, 2012 and 2011 was \$152,208 and \$134,310, respectively.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 11 COMMITMENTS AND CONTINGENCIES (Continued)

Ernest "Bunn" and Helene Amos Early Childhood Campus

In March 2001, the School entered into a lease agreement with the Government of the District of Columbia (the District) to rent a building located at 1351 Nicholson Street, Northwest for a monthly rent of \$2,291. Under the terms of this 15-year lease, the School may make improvements to the premises at its own cost upon receipt of approval of the plans and specifications for the improvements from the District. The lease also provides for a credit against rent for amounts spent on the approved improvements until the credit is liquidated. There were no credits remaining in 2011. The School improved the building and developed the site to add eight modules to house its Ernest "Bunn" and Helene Amos Early Childhood Center in 2007. The monthly lease on these modules is \$8,940. The rent for each of the years ended June 30, 2012 and 2011 was \$134,772.

Addison and Helen Rand Campus

In August 2005, the School entered into a short-term right-of-entry agreement with the District to occupy the building located at 33 Riggs Road, N.E. to house the increased student enrollment. The original right-of-entry agreement expired on June 30, 2005, upon which a month-to-month lease was entered into requiring the School to pay monthly rent of \$14,667. Rent expense for each of the years ended June 30, 2012 and 2011 was \$176,000.

Wilson and Odessa Butler Campus

In June 2005, the School entered into a lease agreement with the National City Christian Church Foundation to occupy two floors of the Campbell Building located at 5 Thomas Circle, N.W. The lease, which began on June 1, 2005, is for nine years ending on June 30, 2013. The campus educates students from the pre-school to the fifth grade. The lease terms required the School to pay monthly rent of \$10,500 plus the cost of its proportionate share of utilities and maintenance. The School rent increased in August 2010 to \$18,703 for the duration of the term due to the need for additional space. Rent expense for each of the years ended June 30, 2012 and 2011 was \$224,436 and \$211,127, respectively.

Future minimum lease payments of leases having initial or remaining noncancelable lease terms in excess of one year approximate the following:

<u>Fiscal years ending June 30,</u>	<u>Amount</u>
2013	\$ 467,208
2014	134,772
2015	134,772
2016	101,079
Total	<u>\$ 837,831</u>

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 12 MANAGEMENT SERVICES AGREEMENT

CAPCS has a management agreement with a charter management company, that provides various services to the School including: program development; faculty training; and general, administrative and financial services. The management agreement expired on March 28, 2012 and CAPCS is currently finalizing the terms of a new agreement.

During the fiscal years ended June 30, 2012 and 2011, the management company was paid, as compensation for services provided, total management fees of \$2,056,536 and \$1,100,000, respectively.

NOTE 13 SUBSEQUENT EVENTS

In preparing these financial statements, CAPCS has evaluated events and transactions through November 1, 2012, the date the financial statements were available to be issued, for potential recognition or disclosure in the financial statements for the year ended June 30, 2012.

The remaining balances of \$1,367,907 and \$82,704 of the \$3,000,000 and the \$250,000 loans, respectively, were paid off in July 2012. In October 2012 the School obtained a \$1,000,000 line of credit facility with a 6.5% interest rate.

DRAFT

SUPPLEMENTAL INFORMATION

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
SCHEDULES OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012 with Comparative Totals for 2011

	2012		2011
	Programs Services	Management and Administration	Total Expenses
Office Expense			
Office Supplies	51,705	30,855	110,468
Equipment rent and maintenance	378,669	10,535	347,317
Telecommunications	262,605	34,675	285,118
Postage	29,879	862	66,423
Printing and copying	73,105	3,827	69,228
Total office expense	<u>795,963</u>	<u>80,754</u>	<u>876,717</u>
General Expense			
Insurance	67,483	23,964	91,447
Authorizer, auditing and payroll	69,119	190,269	259,388
Advertisement	21,876	15,852	37,728
Legal Fees	12,500	110,626	123,126
Consulting Fees	-	20,000	20,000
Management Fees	-	2,056,536	2,056,536
Other Professional and fundraising fees	145,926	11,124	157,050
Dues, Fees licenses, and fines	50,335	17,570	67,905
Travel	24,660	62	24,722
Other general expenses	738,400	23,964	762,364
Depreciation - Amortization	-	139,245	139,245
Total general expense	<u>1,130,299</u>	<u>2,609,212</u>	<u>3,739,511</u>
Total Expenses	<u>\$ 26,490,825</u>	<u>\$ 4,638,841</u>	<u>\$ 31,129,666</u>
			<u>\$ 28,873,188</u>

See notes to financial statements.

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SINGLE AUDIT

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Award Expenditures</u>
U.S. Department of Education:			
<i>Pass-through programs from the District of Columbia State Education office</i>			
Title I Part A Cluster			
Title I Part A	84.010	SG010A	1,064,941
ARRA- Title I part A	84.389A	RA389A	15,820
Total Title I Part A Cluster			<u>1,080,761</u>
Title II Part A	84.367		399,267
Title III Part A	84.365		31,945
State Fiscal Stabilization Fund (SFSF)			
Race-to-the-Top Incentives Grants, Recovery Act	84.395A		550,524
Education for Homeless Children & Youth, Recovery Act	84.387A	SG387A	17,600
Quality School Incentives	84.XXX		121,306
Special Education Preschool Grants - IDEA	84.027A	SG027A	<u>194,316</u>
<i>Total U.S. Department of Education</i>			2,395,719
U.S. Department of Agriculture:			
<i>Pass-through programs from the District of Columbia State Education office</i>			
School Breakfast Program	10.553A	Unknown	649,690
National School Lunch Program	10.555A	Unknown	218,462
Total Child Nutrition Cluster			<u>868,152</u>
<i>Total Expenditure of Federal Awards</i>			<u>\$ 3,263,871</u>

The accompanying note is an integral part of this schedule.

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012 and 2011

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Academy Public Charter School, Inc. (CAPCS or the School) and is presented on the accrual basis of accounting described in Note 2 to the School's basic financial statements. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used for the preparation of the basic financial statements.

NOTE 2 FEDERAL GRANTS

The following is a description of the major federal programs for the year ended June 30, 2012:

Title I Part A Cluster: Grants to Local Education Agencies (CFDA 84.010A) and Grants to Local Education Agencies, Recovery Act (CFDA 84.389)

The objective of this program is to facilitate the improvement of teaching and learning for children residing in areas with high concentrations of children from low-income families at risk of not meeting challenging academic standards.

Child Nutrition Cluster: School Breakfast Program (CFDA 10.553) and National School Lunch Program (CFDA 10.555)

The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthy, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA 84.395)

The objectives of Race to the Top are to encourage and reward States that are: creating the conditions for education innovation and reform; achieving significant improvement in student outcomes, including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates and ensuring student preparation for success in college careers; and implementing ambitious plans in the four assurance areas.

**REPORT OF INDEPENDENT AUDITORS 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***

Board of Trustees
Community Academy Public Charter School, Inc.

We have audited the financial statements of the Community Academy Public Charter School, Inc. (CAPCS or the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of the Community Academy Public Charter School, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CAPCS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 CAPCS' financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the School in a separate letter dated November 1, 2012.

This report is intended solely for the information and use of management, the Board of Trustees, the District of Columbia Public Charter School Board, Government of the District of Columbia, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

November 1, 2012

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Community Academy Public Charter School, Inc.

Compliance

We have audited the compliance of the Community Academy Public Charter School, Inc. (CAPCS or the School) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the Community Academy Public Charter School, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Community Academy Public Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CAPCS' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, the District of Columbia Public Charter School Board, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these parties.

November 1, 2012

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012 and 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Major programs:

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I Part A Cluster
84.367	Title II Part A
84.395	State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act
10.553/10.555	Child Nutrition Cluster School Breakfast Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012 and 2011

Section II – Findings - Financial Statement Audit

None noted.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

None noted.

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COMMUNITY ACADEMY PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2011

None noted.

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