

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019 AND 2018

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Independent Auditor's Report

To the Board of Directors
Inspired Teaching Demonstration Public Charter School
Washington, DC

We have audited the accompanying financial statements of Inspired Teaching Demonstration Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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, whether due to fraud or error.

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.

Inspired Teaching Demonstration Public Charter School
Independent Auditor's Report
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inspired Teaching Demonstration Public Charter School as of June 30, 2019 and 2018, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 20-21, as required by D.C. Public Charter School Board ("DCPCSB"), is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of Inspired Teaching Demonstration 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 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 effectiveness of Inspired Teaching Demonstration Public Charter School's 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 Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and compliance.

Jane Marston & McQuade PA

Washington, DC
November 6, 2019

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,581,091	\$ 3,536,033
Grants receivable	22,507	21,507
Accounts receivable	55,249	17,692
Prepaid expenses	48,393	49,316
Total Current Assets	4,707,240	3,624,548
PROPERTY AND EQUIPMENT, NET	242,266	190,246
OTHER ASSETS		
Equity investment	-	9,141
Deposits	5,000	12,588
Total Other Assets	5,000	21,729
TOTAL ASSETS	\$ 4,954,506	\$ 3,836,523
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 151,876	\$ 96,081
Accrued salaries and expenses	300,900	219,211
Capital lease obligation, current portion	34,073	15,445
Total Current Liabilities	486,849	330,737
LONG TERM LIABILITIES		
Capital lease obligation, net of current portion	122,122	58,984
Total Liabilities	608,971	389,721
OTHER LIABILITIES		
Equity investment	198,659	-
NET ASSETS		
Without donor restrictions	4,129,762	3,429,688
With donor restrictions	17,114	17,114
Total Net Assets	4,146,876	3,446,802
TOTAL LIABILITIES AND NET ASSETS	\$ 4,954,506	\$ 3,836,523

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, LOSSES, AND SUPPORT			
Per pupil appropriations	\$ 7,024,102	\$ -	\$ 7,024,102
Per pupil facility allowance	1,533,610	-	1,533,610
Federal entitlements and grants	261,627	-	261,627
Other grants and contributions	140,289	-	140,289
Donated services and materials	55,139	-	55,139
Program service fees	47,700	-	47,700
Interest	94,433	-	94,433
Loss on equity investment	(207,800)	-	(207,800)
Total Revenue, Losses and Support	<u>8,949,100</u>	<u>-</u>	<u>8,949,100</u>
EXPENSES			
Program - educational services	6,998,981	-	6,998,981
General and administrative services	1,115,417	-	1,115,417
Fundraising	134,628	-	134,628
Total Expenses	<u>8,249,026</u>	<u>-</u>	<u>8,249,026</u>
CHANGE IN NET ASSETS	700,074	-	700,074
NET ASSETS, beginning of year	<u>3,429,688</u>	<u>17,114</u>	<u>3,446,802</u>
NET ASSETS, end of year	<u>\$ 4,129,762</u>	<u>\$ 17,114</u>	<u>\$ 4,146,876</u>

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, LOSSES, AND SUPPORT			
Per pupil appropriations	\$ 6,348,199	\$ -	\$ 6,348,199
Per pupil facility allowance	1,423,957	-	1,423,957
Federal entitlements and grants	189,586	-	189,586
Other grants and contributions	130,281	-	130,281
Donated services and materials	89,566	-	89,566
Program service fees	51,983	-	51,983
Interest	13,827	-	13,827
Loss on equity investment	(69,479)	-	(69,479)
Total Revenue, Losses, and Support	<u>8,177,920</u>	-	<u>8,177,920</u>
EXPENSES			
Program - educational services	6,483,668	-	6,483,668
General and administrative services	1,056,816	-	1,056,816
Fundraising	134,459	-	134,459
Total Expenses	<u>7,674,943</u>	-	<u>7,674,943</u>
CHANGE IN NET ASSETS	502,977	-	502,977
NET ASSETS, beginning of year	<u>2,926,711</u>	<u>17,114</u>	<u>2,943,825</u>
NET ASSETS, end of year	<u>\$ 3,429,688</u>	<u>\$ 17,114</u>	<u>\$ 3,446,802</u>

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 3,709,066	\$ 613,116	\$ 97,920	\$ 4,420,102
Employee benefits	321,285	53,109	8,482	382,876
Payroll taxes	281,457	46,524	7,431	335,412
Professional development	27,150	-	-	27,150
Other staff-related expense	21,322	3,524	563	25,409
Total Personnel Costs	4,360,280	716,273	114,396	5,190,949
Direct Student Costs				
Supplies, materials, snacks	83,945	-	-	83,945
Contracted instruction fees	685,063	-	-	685,063
Textbooks	34,397	-	-	34,397
Student food service program	171,992	-	-	171,992
Fieldtrips and other transportation	24,943	-	-	24,943
Other student costs	6,234	-	-	6,234
Total Direct Student Costs	1,006,574	-	-	1,006,574
Occupancy Expense				
Rent	1,456,929	76,681	-	1,533,610
Repairs and Maintenance	2,096	110	-	2,206
Facility Consulting fee	-	29,411	-	29,411
Total Occupancy Expense	1,459,025	106,202	-	1,565,227
Office Expense				
Office supplies	21,377	3,533	564	25,474
Equipment rental	11,467	1,895	303	13,665
Telecommunication	12,691	2,098	335	15,124
Computer and related	17,740	2,933	468	21,141
Printing and publications	191	32	5	228
Postage and shipping	1,743	288	46	2,077
Total Office Expense	65,209	10,779	1,721	77,709
General Expense				
Insurance	26,215	4,333	692	31,240
Accounting fee	-	138,124	-	138,124
Authorizer fees	-	80,787	-	80,787
Depreciation and amortization	67,721	15,816	1,787	85,324
Interest	3,222	1,728	85	5,035
Legal fee	7,003	7,003	-	14,006
Professional fees	832	138	22	992
Other expenses	-	269	-	269
Fees and licenses	2,900	11,862	-	14,762
Donated legal services	-	22,103	-	22,103
Donated goods	-	-	150	150
Fundraising fees and event costs	-	-	15,775	15,775
Total General Expense	107,893	282,163	18,511	408,567
TOTAL EXPENSES	\$ 6,998,981	\$ 1,115,417	\$ 134,628	\$ 8,249,026

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program - Educational Services	General and Administrative Services	Fundraising	Total
Personnel Costs				
Salaries	\$ 3,426,879	\$ 587,118	\$ 96,000	\$ 4,109,997
Employee benefits	242,145	41,486	6,784	290,415
Payroll taxes	250,572	42,930	7,019	300,521
Professional development	48,845	-	-	48,845
Other staff-related expense	19,414	3,326	544	23,284
Total Personnel Costs	3,987,855	674,860	110,347	4,773,062
Direct Student Costs				
Supplies, materials, snacks	68,528	-	-	68,528
Contracted instruction fees	723,657	-	-	723,657
Textbooks	43,835	-	-	43,835
Student food service program	107,633	-	-	107,633
Fieldtrips and other transportation	14,770	-	-	14,770
Other student costs	6,130	-	-	6,130
Total Direct Student Costs	964,553	-	-	964,553
Occupancy Expense				
Rent	1,352,759	71,198	-	1,423,957
Utilities and garbage removal	-	18,382	-	18,382
Total Occupancy Expense	1,352,759	89,580	-	1,442,339
Office Expense				
Office supplies	16,794	2,877	471	20,142
Equipment rental	13,624	2,334	382	16,340
Telecommunication	12,580	2,155	353	15,088
Computer and related	19,872	3,404	557	23,833
Printing and publications	1,734	297	49	2,080
Postage and shipping	2,094	359	59	2,512
Total Office Expense	66,698	11,426	1,871	79,995
General Expense				
Insurance	27,646	4,739	771	33,156
Accounting fee	-	128,544	-	128,544
Authorizer fees	-	72,683	-	72,683
Depreciation and amortization	67,078	11,493	1,881	80,452
Interest	2,822	484	79	3,385
Legal fee	-	8,682	-	8,682
Professional fees	3,040	521	85	3,646
Other expenses	-	-	202	202
Fees and licenses	11,217	1,922	314	13,453
Donated legal services	-	51,882	-	51,882
Donated goods	-	-	3,655	3,655
Fundraising fees and event costs	-	-	15,254	15,254
Total General Expense	111,803	280,950	22,241	414,994
TOTAL EXPENSES	\$ 6,483,668	\$ 1,056,816	\$ 134,459	\$ 7,674,943

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 700,074	\$ 502,977
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Loss on equity investment	207,800	69,479
Depreciation and amortization	85,324	80,452
(Increase) decrease in assets:		
Grants receivable	(1,000)	(4,810)
Accounts receivable	(37,557)	21,325
Prepaid expenses	923	(16,294)
Deposits	7,588	(7,588)
Increase (decrease) in liabilities:		
Accounts payable	55,795	8,761
Accrued salaries and expenses	81,689	212,624
Deferred revenue	-	(24,093)
Net Cash Provided by Operating Activities	1,100,636	842,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(137,344)	(142,775)
Net Cash Used by Investing Activities	(137,344)	(142,775)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease obligation incurred	103,608	86,724
Capital lease obligation payments	(21,842)	(12,295)
Net Cash Provided for Financing Activities	81,766	74,429
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,045,058	774,487
CASH AND CASH EQUIVALENTS, beginning of year	3,536,033	2,761,546
CASH AND CASH EQUIVALENTS, end of year	\$ 4,581,091	\$ 3,536,033
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 19,860	\$ 5,265

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

Organization

Inspired Teaching Demonstration Public Charter School (the “School”), a District of Columbia not-for-profit organization, was incorporated on January 27, 2010, exclusively for educational purposes. During June 2011, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board.

At the School, a professional learning community of master teachers and teacher residents ensure that a diverse group of students achieve their potential as accomplished learners, thoughtful citizens, and imaginative and inquisitive problem solvers through a demanding, inquiry-based curriculum. The defining characteristic of the School is a professional learning community focused on a progressive, constructivist approach to teaching and learning based on the research on how the brain works and how children learn. The School is organized to meet two related, mutually reinforcing primary goals: to provide an excellent education for students, and to provide excellent teacher preparation and professional development for new teachers and teacher leaders. The School is a leader in improving the way teachers are trained and students are educated in DC and beyond. As a demonstration school, the school invites and receives visitors from around the globe. Annually, the School welcomes dozens of visitors from the DC education community, as well as those influential in education policy nationwide.

Dominant methods of instruction include inquiry-based methods and active learning approaches, where the teacher serves as facilitator and coach to support student learning. Instruction includes an emphasis on social-emotional learning, and classrooms are characterized by student-centered organizational styles such as differentiated instruction, collaborative groups, and child-initiated play. The standards-based curriculum and student goals are centered on the 4 I’s: intellect, inquiry, imagination, and integrity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the School adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-4 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Financial Statements of Not-For-Profit organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. For the years ending June 30, 2019 and 2018, donor restricted assets totaled \$17,114 respectively and this amount was restricted for purchase of furniture for the Life Skills classroom.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Grants and Accounts Receivable

The School's grants receivable consists of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. The School performs ongoing credit evaluations of its funding sources and generally does not require collateral. Due to the nature of funding from the federal government and the District of Columbia, management believes that all grants receivable are collectible within one year or less; therefore, no allowance for bad debt has been recorded.

Accounts 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. Accounts receivables are written off as uncollectible when payment has not been received after 180 days.

Equity Investment

The School owns 38% interest in Shaed School, LLC (the "LLC"). Shaed School, LLC, is a limited liability company formed in the District of Columbia during May 2014 for the purpose of providing leasing arrangements for the School's facility.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes all expenditures for property and equipment over \$1,000. Depreciation is computed, using the straight-line method, over the estimated useful lives of the assets, which ranges from 3 to 7 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Grants and Contributions

Grants and contributions are recognized as revenue in the period in which they are received. Grants are recognized as revenue in the period in which such promises or agreements are made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions with donor restrictions become contributions without donor restrictions when the donor-imposed time restrictions expire, or the funds are used for the donor imposed restricted purpose and are then reclassified in the statements of activities as net assets released from restrictions.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Grants and Contributions (continued)

Grant revenues are received primarily from the District of Columbia government. The grants are subject to audit 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.

Per Pupil Appropriations

The School receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$1,360,109 and \$1,144,159 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2019 and 2018, respectively.

Revenue Recognition

All income raised from fundraising events is recognized upon the occurrence of the event.

Activity fees are recognized at the time of the activity. This revenue represents amounts collected from students for, but not restricted to, field trips, meals, camps and other school related activities.

Donated Services and Material

Donated services and material are recognized at fair value at the date of the donation. Contributions of services are recognized if the services received create or enhance non-financial 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. Contributions services and promises to give services that do not meet the above criteria are not recognized. The School received \$22,103 of donated legal services and \$33,036 of donated goods for the years ended June 30, 2019 and 2018, respectively. The School received \$51,882 of donated legal services and \$37,684, respectively of donated goods for the year ended June 30, 2018.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Uses of Estimates

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

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked.

NOTE C – INCOME TAXES

The School is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School's information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School's Form 990 returns for the years ending June 30, 2016 through 2018 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

Shaed School, LLC is a District of Columbia limited liability company which elected to be treated as a partnership for income tax reporting purposes and, therefore, is not subject to federal income tax.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. The School’s sources of liquidity at its disposal include cash and receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

	<u>2019</u>	<u>2018</u>
Cash	\$ 4,581,091	\$ 3,536,033
Current receivable	77,756	39,199
Total Financial Assets	4,658,847	3,575,232
Encumbered net assets with donor restrictions for the next one year	<u>(17,114)</u>	<u>(17,114)</u>
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,641,733</u>	<u>\$ 3,558,118</u>

NOTE E – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 235,577	\$ 202,496
Computers	46,408	96,818
Website	4,500	4,500
Leased equipment	188,677	86,724
Leasehold improvements	93,018	93,018
	568,180	483,556
Less accumulated depreciation and amortization	<u>(325,914)</u>	<u>(293,310)</u>
Property and Equipment, Net	<u>\$ 242,266</u>	<u>\$ 190,246</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled \$85,324 and \$80,452, respectively.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE E – PROPERTY AND EQUIPMENT – continued

During 2018 and 2019, the School entered into capital lease arrangements for copier agreements. Accumulated depreciation includes accumulated amortization of capital leased equipment in the amount of \$22,848 and \$13,766 as of June 30, 2019 and 2018, respectively. Amortization expense related to capital leased equipment was \$25,138 and \$20,516 for the years ended June 30, 2019 and 2018, respectively.

NOTE F – LEASE COMMITMENTS

In May 2014, the School entered into a sublease agreement with Shaed School, LLC, a related party, for the building at 301 Douglas Street, Washington, commencing August 1, 2014. The lease was for a term of five years and expired June 30, 2019. Lease payments are determined on an annual basis and is calculated by the number of students enrolled on each census date beginning each October multiplied by the per pupil facilities allowance received from the District of Columbia. In connection with the lease the School guaranteed the lessor’s financing of \$12,100,000 which was primarily used to improve the property. This lease was amended on June 4th, 2019 and will now expire on March 2034. In connection with this amendment, the lessor has refinanced the remaining principal amount for \$10,400,000, that the School remains a guarantor on. The rent will increase by the debt service on the additional financing and the incremental operating cost of occupying this space and will not be based on the increased enrollment associated with the additional space. The School cannot reasonably estimate its future minimum lease liability over the term of the lease. However, assuming stable enrollment and facilities allowance, rent should approximate the current year expense until such time as the improvements are made and the additional space is occupied. Rent expense for this facility for years ended June 30, 2019, and 2018 totaled \$1,533,610 and \$1,423,957, respectively.

The School also leases certain equipment. The equipment leases were signed in 2018 and 2019 and expire in 2023 and 2024.

Future minimum lease payments for the equipment lease for the year ending June 30:

	2020	\$	34,073
	2021		37,512
	2022		37,585
	2021		23,519
	2022		20,500
Total Future Minimum Lease Payments		\$	153,189

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE G – RELATED PARTY TRANSACTIONS

The School shares a common board member with Center for Inspired Teaching (the “Center”). The School pays the Center to train and support an agreed upon number of teaching fellows who are placed at the school each year. Each year when this contract is renewed and voted upon, the common board member recuses herself from voting to prevent any conflict of interest from interfering with the School's independence. The School’s practices include a conflict of interest policy that is reviewed and signed annually by all board members.

For the years ended June 30, 2019 and 2018, the amount paid to the Center totaled \$245,000 and \$336,000, respectively.

NOTE H – PENSION PLAN

The Inspired Teaching School 403(b), (the “Plan”), was established for all eligible employees. Eligible employees can become participants on the first day of the month following the completion of eligibility requirements but are not eligible for the employer match until they have completed one year of employment and are 21 years of age or older. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Code. The School matches are discretionary. For the years ended June 30, 2019 and 2018, pension expense totaled \$59,453 and \$57,459, respectively.

NOTE I – CONCENTRATIONS

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2019 and 2018, 99% and 97%, respectively, of total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School’s programs and activities. The geographical area of clients served is all wards of the District of Columbia. As of June 30, 2019 and 2018, the School had cash that exceeded federally insured limits by approximately \$4,249,000 and \$3,236,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

NOTE J – INVESTMENT IN LIMITED LIABILITY COMPANY

As of May 2014, the School is a member of and has a 38% interest in Shaed School, LLC (the “LLC”). The purpose of Shaed School, LLC is to hold, renovate, remodel, rent, operate, manage, maintain, improve, repair, sell finance and refinance the property at 301 Douglas Street, NE, Washington, DC, where the School operates. At the formation of the LLC, on May 15, 2014, the School made an initial capital contribution of \$375,152. The School uses the equity method to account for its investment. As of June 30, 2019 and 2018, the School’s investment in the LLC totaled \$(198,659) and \$9,141, respectively.

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE J – INVESTMENT IN LIMITED LIABILITY COMPANY - continued

The following is the summarized audited financial information for Shaed School, LLC as of December 31, 2018:

BALANCE SHEET

ASSETS

Cash	\$	270,064
Property and equipment, net		10,332,185
Other assets		46,867
Total Assets		10,649,116

LIABILITIES AND PARTNERS' CAPITAL

Accounts payable, accruals and other liabilities		454,100
Intercompany payable		354,686
Notes payable		10,314,492
Total Liabilities		11,123,278
Partners' Deficit		(474,162)
Total Liabilities and Partners' Deficit	\$	10,649,116

INCOME STATEMENT

REVENUE

Rental income	\$	1,456,187
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EXPENSES

Site specific expenses		1,906,357
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NET LOSS

(450,170)

PARTNERS' DEFICIT, beginning of year

(23,992)

PARTNERS' DEFICIT, end of year

\$ (474,162)

SCHOOL'S SHARE, 38% of net loss

\$ (171,065)

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 6, 2019, the date the School's financial statements were available to be issued. Management has determined that, except as noted above, there are no subsequent events that require disclosure pursuant to the subsequent event topic.



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

To the Board of Directors
Inspired Teaching Demonstration Public Charter School
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Inspired Teaching Demonstration Public Charter School, (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Marusa & McQuade PA

Washington, DC
November 6, 2019

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
Acumen Behavioral Consulting, Inc.	Special education services	33,738
Amazon	School/office supplies	35,533
CareFirst	Health insurance	351,925
Center for Inspired Teaching	Teaching fellows/ residents	245,000
DC Health Link	Health insurance	73,563
DC PCSB	Authorizer services	84,566
Early Autism Solutions, LLC	Special education services	82,608
EdOps	Finance, HR and data services	117,981
Educational Solutions, LLC	Special education services	43,278
End-to-End Solutions for Special Education LLC	Special education services	35,934
Paradigm Therapy Partners, LLC	Special education services	145,631
Revolution Foods, Inc.	Food Services	162,038
Shaed School LLC	Occupancy expense	1,416,353
Tamah, LLC	Contracted substitutes	42,112
The Hanover Insurance Group	Business insurance	27,711

Note: The above schedule includes all vendors/contractors paid greater than or \$25,000 for which either a formal contract was executed or no formal contract was entered into, executed or negotiated.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000
YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approximate</u>
NONE		

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2019 for services that will amount to more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2019.