

**INSPIRED TEACHING DEMONSTRATION  
PUBLIC CHARTER SCHOOL**

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

**JUNE 30, 2017 AND 2016**

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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, 2017 and 2016, 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.

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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, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, 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 16, 2017

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,761,546	\$ 2,275,110
Grants receivable	16,697	10,143
Accounts receivable	39,017	27,494
Prepaid expenses	33,022	32,552
Total Current Assets	2,850,282	2,345,299
<b>PROPERTY AND EQUIPMENT, NET</b>	127,922	108,902
<b>OTHER ASSETS</b>		
Equity investment	78,621	257,025
Deposits	5,000	5,000
Total Other Assets	83,621	262,025
<b>TOTAL ASSETS</b>	\$ 3,061,825	\$ 2,716,226
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 87,320	\$ 80,041
Accrued salaries and expenses	6,587	10,354
Deferred revenue	24,093	661
Total Liabilities	118,000	91,056
<b>NET ASSETS</b>		
Unrestricted	2,926,711	2,603,056
Temporarily restricted	17,114	22,114
Total Net Assets	2,943,825	2,625,170
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 3,061,825	\$ 2,716,226

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE, LOSSES, AND SUPPORT</b>			
Per pupil appropriations	\$ 5,497,431	\$ -	\$ 5,497,431
Per pupil facility allowance	1,293,336	-	1,293,336
Federal entitlements and grants	131,427	-	131,427
Other grants and contributions	164,275	-	164,275
Donated services and materials	68,938	-	68,938
Program service fees	48,373	-	48,373
Interest	1,862	-	1,862
Loss on equity investment	(178,404)	-	(178,404)
Net assets released from restrictions	5,000	(5,000)	-
Total Revenue, Losses and Support	7,032,238	(5,000)	7,027,238
<b>EXPENSES</b>			
Program - educational services	5,888,417	-	5,888,417
General and administrative services	779,926	-	779,926
Fundraising	40,240	-	40,240
Total Expenses	6,708,583	-	6,708,583
<b>CHANGE IN NET ASSETS</b>	323,655	(5,000)	318,655
<b>NET ASSETS, beginning of year</b>	2,603,056	22,114	2,625,170
<b>NET ASSETS, end of year</b>	\$ 2,926,711	\$ 17,114	\$ 2,943,825

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE, LOSSES, AND SUPPORT</b>			
Per pupil appropriations	\$ 4,758,148	\$ -	\$ 4,758,148
Per pupil facility allowance	1,149,632	-	1,149,632
Federal entitlements and grants	198,651	-	198,651
Other grants and contributions	207,363	10,000	217,363
Donated services and materials	155,679	-	155,679
Program service fees	38,775	-	38,775
Interest	1,461	-	1,461
Loss on equity investment	(148,127)	-	(148,127)
Net assets released from restrictions	5,000	(5,000)	-
Total Revenue, Losses, and Support	<u>6,366,582</u>	<u>5,000</u>	<u>6,371,582</u>
<b>EXPENSES</b>			
Program - educational services	5,208,489	-	5,208,489
General and administrative services	659,839	-	659,839
Fundraising	41,382	-	41,382
Total Expenses	<u>5,909,710</u>	<u>-</u>	<u>5,909,710</u>
<b>CHANGE IN NET ASSETS</b>	456,872	5,000	461,872
<b>NET ASSETS, beginning of year</b>	<u>2,146,184</u>	<u>17,114</u>	<u>2,163,298</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 2,603,056</u></u>	<u><u>\$ 22,114</u></u>	<u><u>\$ 2,625,170</u></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, 2017**

	<b>Program - Educational Services</b>	<b>General and Administrative Services</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel Costs</b>				
Salaries	\$ 3,159,050	\$ 425,349	\$ 12,372	\$ 3,596,771
Employee benefits	208,494	28,072	818	237,384
Payroll taxes	232,276	31,275	909	264,460
Professional development	39,522	-	-	39,522
Other staff-related expense	23,053	2,846	83	25,982
<b>Total Personnel Costs</b>	<b>3,662,395</b>	<b>487,542</b>	<b>14,182</b>	<b>4,164,119</b>
<b>Direct Student Costs</b>				
Supplies, materials, snacks	79,343	-	-	79,343
Contracted instruction fees	515,056	-	-	515,056
Textbooks	51,030	-	-	51,030
Student food service program	118,597	-	-	118,597
Fieldtrips and other transportation	11,648	-	-	11,648
Other student costs	4,004	-	-	4,004
<b>Total Direct Student Costs</b>	<b>779,678</b>	<b>-</b>	<b>-</b>	<b>779,678</b>
<b>Occupancy Expense</b>				
Rent	1,272,565	20,771	-	1,293,336
Maintenance and repairs	123	2	-	125
<b>Total Occupancy Expense</b>	<b>1,272,688</b>	<b>20,773</b>	<b>-</b>	<b>1,293,461</b>
<b>Office Expense</b>				
Office supplies	18,730	2,522	69	21,321
Equipment rental	22,861	3,078	89	26,028
Telecommunication	12,762	1,718	50	14,530
Computer and related	19,501	2,626	77	22,204
Printing and publications	1,661	224	7	1,892
Postage and shipping	2,896	390	11	3,297
<b>Total Office Expense</b>	<b>78,411</b>	<b>10,558</b>	<b>303</b>	<b>89,272</b>
<b>General Expense</b>				
Insurance	26,189	3,526	103	29,818
Authorizer fees	-	69,926	-	69,926
Depreciation and amortization	51,940	6,993	204	59,137
Professional fees	13,616	119,364	20	133,000
Fees and licenses	3,500	6,208	181	9,889
Donated legal services	-	55,036	-	55,036
In-kind fundraising fees and events costs	-	-	13,902	13,902
Fundraising fees and event costs	-	-	11,345	11,345
<b>Total General Expense</b>	<b>95,245</b>	<b>261,053</b>	<b>25,755</b>	<b>382,053</b>
<b>TOTAL EXPENSES</b>	<b>\$ 5,888,417</b>	<b>\$ 779,926</b>	<b>\$ 40,240</b>	<b>\$ 6,708,583</b>

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, 2016**

	<b>Program - Educational Services</b>	<b>General and Administrative Services</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel Costs</b>				
Salaries	\$ 2,483,541	\$ 273,934	\$ -	\$ 2,757,475
Employee benefits	186,817	20,606	-	207,423
Payroll taxes	194,342	21,435	-	215,777
Professional development	54,020	-	-	54,020
Other staff-related expense	38,800	1,772	-	40,572
<b>Total Personnel Costs</b>	<b>2,957,520</b>	<b>317,747</b>	<b>-</b>	<b>3,275,267</b>
<b>Direct Student Costs</b>				
Supplies, materials, snacks	54,817	-	-	54,817
Contracted instruction fees	723,559	-	-	723,559
Textbooks	45,869	-	-	45,869
Student food service program	102,614	-	-	102,614
Fieldtrips and other transportation	12,161	-	-	12,161
Other student costs	3,764	-	-	3,764
<b>Total Direct Student Costs</b>	<b>942,784</b>	<b>-</b>	<b>-</b>	<b>942,784</b>
<b>Occupancy Expense</b>				
Rent	1,131,169	18,463	-	1,149,632
Utilities and garbage removal	3,756	61	-	3,817
<b>Total Occupancy Expense</b>	<b>1,134,925</b>	<b>18,524</b>	<b>-</b>	<b>1,153,449</b>
<b>Office Expense</b>				
Office supplies	15,600	1,720	-	17,320
Equipment rental	19,742	2,178	-	21,920
Telecommunication	12,796	1,412	-	14,208
Computer and related	21,866	2,412	-	24,278
Printing and publications	1,034	114	-	1,148
Postage and shipping	1,816	200	-	2,016
<b>Total Office Expense</b>	<b>72,854</b>	<b>8,036</b>	<b>-</b>	<b>80,890</b>
<b>General Expense</b>				
Insurance	25,842	2,850	-	28,692
Authorizer fees	-	66,083	-	66,083
Depreciation and amortization	48,534	3,753	-	52,287
Professional fees	18,837	118,336	-	137,173
Fees and licenses	6,701	739	-	7,440
Donated goods and services	-	123,717	31,962	155,679
Fundraising fees and event costs	-	-	9,420	9,420
Other	492	54	-	546
<b>Total General Expense</b>	<b>100,406</b>	<b>315,532</b>	<b>41,382</b>	<b>457,320</b>
<b>TOTAL EXPENSES</b>	<b>\$ 5,208,489</b>	<b>\$ 659,839</b>	<b>\$ 41,382</b>	<b>\$ 5,909,710</b>

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, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 318,655	\$ 461,872
Adjustments to reconcile change in net assets to cash and cash equivalents provided by operating activities:		
Loss on equity investment	178,404	148,127
Depreciation and amortization	59,137	52,287
(Increase) decrease in assets:		
Grants receivable	(6,554)	1,754
Accounts receivable	(11,523)	11,905
Prepaid expenses	(470)	(27,246)
Deposits	-	22,433
Increase (decrease) in liabilities:		
Accounts payable	7,279	17,999
Accrued salaries and expenses	(3,767)	(24,449)
Deferred revenue	23,432	523
Net Cash Provided by Operating Activities	564,593	665,205
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(78,156)	(25,813)
Net Cash Used by Investing Activities	(78,156)	(25,813)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	486,437	639,392
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,275,110	1,635,718
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,761,547	\$ 2,275,110

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

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE A – ORGANIZATION AND NATURE OF BUSINESS**

Organization

Inspired Teaching Demonstration Public Charter School (the “School”), a District of Columbia not-for-profit corporation, 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, 2017 AND 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) Topic *Not-for-Profit Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. There were no permanently restricted net assets during the years ended June 30, 2017 and 2016.

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.

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed and represent claims against third parties that will be settled in cash. Grants and accounts receivable are reported net of an allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due grants receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2017 and 2016, the majority of the receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

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.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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 recorded as increases in unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

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 \$1,030,931 and \$829,982 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2017 and 2016, 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.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Deferred Revenue

Deferred revenue represents amounts received during the current fiscal year and deferred until the following fiscal year for recognition.

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 \$62,583 of donated legal and fundraising services and \$6,355 of donated goods for the year ended June 30, 2017. The School received \$123,717 of donated legal services and \$31,962, respectively of donated goods for the year ended June 30, 2016.

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.

Functional Expenses

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

**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).

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE C – INCOME TAXES - continued**

The School has adopted the accounting of uncertainty in income taxes as required by the *Income Taxes* topic of the FASB ASC. This topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2013-2015), or expected to be taken in its 2016 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

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.

**NOTE D – PROPERTY AND EQUIPMENT**

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

	2017	2016
Furniture and equipment	\$ 97,571	\$ 59,228
Computers	145,690	115,224
Website	4,500	4,500
Leasehold improvements	93,017	83,669
	340,778	262,621
Less accumulated depreciation and amortization	(212,856)	(153,719)
Property and Equipment, Net	\$ 127,922	\$ 108,902

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled \$59,137 and \$52,287, respectively.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE E – LEASE COMMITMENTS**

In May 2014, the School entered into a sublease agreement with Shaed School, LLC for space commencing August 1, 2014. The lease is for a term of five years and expires 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. Accordingly, the School cannot reasonably estimate its future minimum lease liability under the terms of the lease. Rent expense for this facility for years ended June 30, 2017, and 2016 totaled \$1,293,336 and \$1,149,632, respectively.

The School also leases certain equipment. The equipment lease was signed in September 2011, and expires during December 2016. Another equipment lease was signed in 2014 and expires 2020. Rent expense for the equipment leases and services for the years ended June 30, 2017 and 2016 was \$26,028 and \$21,920, respectively. Future minimum lease payments for the equipment lease for the year ending June 30:

	2018	\$	13,728
	2019		13,728
	2020		1,144
Total Future Minimum Lease Payments		\$	28,600

**NOTE F – 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, 2017 and 2016, the School’s investment in the LLC totaled \$78,621 and \$257,025, respectively.

**NOTE G – RELATED PARTY TRANSACTIONS**

In May 2014, the School entered into a full service sublease agreement with the LLC for the period August 1, 2014 through June 30, 2019, as described in Note E. Per the agreement the LLC subleases the building at 301 Douglas Street, Washington, to the School and the School pays monthly rent to the LLC to cover rent, utilities, building engineering, maintenance and repairs, landscape maintenance and security monitoring. For the years ended June 30, 2017 and 2016, rent expensed under this sublease agreement totaled \$1,293,336 and \$1,149,632, respectively.



**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(continued)

**NOTE H – TEMPORARILY RESTRICTED NET ASSETS**

The School has the following temporarily restricted net assets as of June 30:

	2017	2016
Life skills classroom	\$ 17,114	\$ 17,114
Modular staging and sound system	-	5,000
	\$ 17,114	\$ 22,114

**NOTE I – 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, 2017 and 2016, pension expense totaled \$34,219 and \$25,226, respectively.

**NOTE J – CONCENTRATIONS**

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2017 and 2016, 97% and 94%, 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, 2017 and 2016, the School had cash that exceeded federally insured limits by approximately \$2,460,000 and \$2,025,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

**NOTE K – SUBSEQUENT EVENTS**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 16, 2017, 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, 2017, 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 16, 2017.

**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 Murren & McQuade PA*

Washington, DC  
November 16, 2017