

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL

WASHINGTON, D.C.

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

KENDALL, PREBOLA AND JONES

Certified Public Accountants

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Kendall, Prebola and Jones
Certified Public Accountants

The Board of Directors
Washington Yu Ying
Public Charter School
4401 8th Street, NE
Washington, DC 20017

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the Washington Yu Ying Public Charter School (a nonprofit organization) as of June 30, 2009, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit for the year ended June 30, 2009, 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 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 the Washington Yu Ying Public Charter School as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2009, on our consideration of the Washington Yu Ying 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 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of functional expenses, average cost per student, and contracts in excess of \$25,000 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 4, 2009

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets:

Cash and Cash Equivalents - Note 2	\$ 358,343
Grants Receivable - Note 3	338,925
Accounts Receivable - Note 3	11,144
Prepaid Expenses and Deposits	<u>26,051</u>

Total Current Assets	<u>\$ 734,463</u>
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Fixed Assets - Note 4:

Furniture and Equipment	\$ 56,385
Accumulated Depreciation	<u>(7,555)</u>

Total Fixed Assets	<u>\$ 48,830</u>
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Other Assets:

Security Deposits	<u>\$ 50,000</u>
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Total Other Assets	<u>\$ 50,000</u>
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TOTAL ASSETS	<u>\$ 833,293</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 50,262
Accrued Salaries and Expenses	<u>8,556</u>

Total Current Liabilities	<u>\$ 58,818</u>
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Total Liabilities	<u>\$ 58,818</u>
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Net Assets - Exhibit B - Note 1(e):

Unrestricted	\$ 710,395
Temporarily Restricted	<u>64,080</u>

Total Net Assets	<u>\$ 774,475</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 833,293</u>
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(See Accompanying Notes and Auditor's Report)

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>			
Tuition - Per Pupil Funding Allocation (Note 8)	\$ 1,895,948	\$ -	\$ 1,895,948
Federal Entitlements and Grants (Note 9)	497,898	-	497,898
Other Grants and Contributions	22,486	-	22,486
Donated Services and Materials	221,257	-	221,257
Interest	3,869	-	3,869
Program Service Fees	248,469	-	248,469
Other Revenues	13,921	-	13,921
Net Assets Released from Restrictions (Note 1(e) Satisfaction of Program Restrictions)	<u>153,001</u>	<u>(153,001)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 3,056,849</u>	<u>\$ (153,001)</u>	<u>\$ 2,903,848</u>
<u>Expenses:</u>			
Educational Services	\$ 1,861,179	\$ -	\$ 1,861,179
Fundraising	73,676	-	73,676
General and Administrative	<u>415,933</u>	<u>-</u>	<u>415,933</u>
Total Expenses	<u>\$ 2,350,788</u>	<u>\$ -</u>	<u>\$ 2,350,788</u>
Changes in Net Assets	\$ 706,061	\$ (153,001)	\$ 553,060
Net Assets, Beginning of Year	<u>4,334</u>	<u>217,081</u>	<u>221,415</u>
Net Assets, End of Year	<u>\$ 710,395</u>	<u>\$ 64,080</u>	<u>\$ 774,475</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:

Changes in Net Assets - Exhibit B	\$ 553,060
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation	7,555
Grants and Accounts Receivable - (Increase)/Decrease	(240,709)
Prepaid Expenses - (Increase)/Decrease	(25,641)
Accounts Payable - Increase/(Decrease)	21,906
Accrued Salaries and Expenses - Increase/(Decrease)	8,556
Security Deposits - (Increase/Decrease)	<u>(50,000)</u>
Net Cash Flows from Operating Activities	<u>\$ 274,727</u>

Cash Flows from Investing Activities:

Purchase of Fixed Assets	<u>\$ (56,385)</u>
Net Cash Flows from Investing Activities	<u>\$ (56,385)</u>
Net Increase in Cash and Cash Equivalents	\$ 218,342
Cash and Cash Equivalents at Beginning of Year	<u>140,001</u>
Cash and Cash Equivalents at End of Year	<u>\$ 358,343</u>

Supplemental Disclosures:

- a) No income taxes were paid during the year ended June 30, 2009.
- b) No interest was paid during the year ended June 30, 2009.

(See Accompanying Notes and Auditor's Report)

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Washington Yu Ying Public Charter School (The Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on March 10, 2006, exclusively for educational purposes. The Public Charter School operates as part of the District of Columbia Public School system. Washington Yu Ying Public Charter School aims to spark the fire of lifelong learning by providing a world class education for students in our nation's capital. The first public school in Washington, DC, to offer Chinese language immersion, Yu Ying combines Language immersion with the inquiry-based curricula of the International Baccalaureate Organization.

Yu Ying was founded on the premise that fluency in more than one language develops a greater ability to communicate with and to understand other cultures and that Chinese is a language of the future. Chinese is spoken by one in five people on the planet. As our economic connections to China strengthen and our political destinies become more intertwined, Chinese is increasingly being identified as an important international language. Yu Ying students who graduate speaking Chinese fluently will be well-positioned to enter college and the job market.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Accounting Method:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles.

(b) Revenue Recognition:

Contributions -

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be receivable.

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

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Income Taxes:

The Washington Yu Ying Public Charter School is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. The organization is not a private foundation and contributions to the organization qualify as a charitable tax deduction by the contributor.

(d) Grants:

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.

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

(e) Net Assets:

The organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets.

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

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets were available at year end for the following purpose:

Walton Foundation - Start Up	\$ 64,080
Total	\$ 64,080

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by donors for the following activities:

Walton Foundation - Start Up	\$ <u>153,001</u>
Total	\$ <u>153,001</u>

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2009.

(f) Donated Services and Materials:

Services and Materials:

There was \$217,222 of services and \$4,035 of materials recorded in the financial statements for the year ended June 30, 2009. 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. Contributed services and promises to give services that do not meet the above criteria are not recognized. A substantial number of volunteer's donated significant amounts of their time in the Charter School's supporting services for which no value has been assigned.

(g) Basic Programs:

Washington Yu Ying Public Charter School (Yu Ying) is a revolutionary school that is on the leading edge of elementary education by combining a Chinese language immersion program with the state-of-the-art International Baccalaureate curriculum framework. Translated, Yu Ying means "nurturing excellence."

In January 2008, Yu Ying was granted its charter by the District of Columbia Public Charter School Board. When the school opened its doors to 130 students in September 2008, it was the only school of its kind, public or private, in the city and wider metropolitan area.

That group of students, representing Pre-K, Kindergarten and First Grade, were the first to experience Yu Ying's innovative Chinese language immersion program: Students learn all subjects in both languages. Each day they alternate between their Chinese and English classrooms and experience the curriculum frameworks represented by the IB Primary Years and Middle Years Programs. Each classroom is staffed with a Lead and an Assistant teacher and all Chinese and English teachers are native speakers.

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Demand for this innovative program by families interested in providing their children with an education that will prepare them for a future filled with opportunity, resulted in 250 applications for the 65 available spots in Pre-K through 2nd Grade for the 2009-10 school year. In April 2009, Yu Ying held its first admissions lottery for the 2009-10 school year (a true sign of success for a first-year charter school). Moreover, the school had approximately 95% re-enrollment. Within the first two weeks of accepting enrollments for the 2010-11 year, Yu Ying received more than 75 applications for approximately 65 spots.

The student population at Yu Ying is as diverse as the District of Columbia itself. Hailing from all 8 Wards in the city, Yu Ying students are:

- 50% African American
- 30% Caucasian
- 16% Asian
- 4% Hispanic

In addition to enrollment success, Yu Ying in its first year has achieved measurable academic, financial and organizational success.

- Although not required to perform standardized tests until our students reach Grade 3, Yu Ying conducted Bracken, DIBELS and GMADE Assessments at the appropriate grade levels in the 2008-2009 Academic Year. Students performed very well, demonstrating the success of our academic program.
- Yu Ying successfully completed the PCSB Self-Study Assessment that reviews our leadership, organizational and educational practices.
- Yu Ying ended the year with approximately \$600,000 in net income.

In August 2009, Yu Ying was awarded the Foreign Language Assistance Program grant from the Department of Education. This grant provides approximately \$300,000 per year over the next three years, cost shared at 127% by the school, to support the Chinese program. The school also received Candidate Status from the International Baccalaureate Organization--the first step toward obtaining recognition as a World School.

Yu Ying's board and staff look forward building on this first year success in order to develop this world class elementary and middle school that nurtures excellence for each one of its 700 students.

(h) 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 (Exhibit B). Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses at the date of the financial statements. Accordingly, actual results could differ from these estimates

(j) Fundraising:

During the year ended June 30, 2009, expenses incurred for the purpose of fundraising were \$73,676.

2. CASH AND CASH EQUIVALENTS:

Cash at June 30, 2009, totaled \$358,343 and consisted of the following:

Interest Bearing Sweep Account	\$ 94,670
Interest Bearing Checking Account	97,531
Non Interest Bearing Checking Accounts	113,777
Money Market Account	<u>52,365</u>
Total	<u>\$ 358,343</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less. Certificates of Deposit with original maturities in excess of three months are considered to be cash, provided that the stated terms do not restrict the withdrawal of funds and such withdrawals do not have substantial penalties associated with them.

The School maintains cash balances at two financial institutions, which at times may exceed federally insured limits. The School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

3. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and grants receivable are considered to be fully collectible by management. Balances as of June 30, 2009 consisted of the following:

Grants Receivable:

District of Columbia Public Schools	
OSSE - Title V Part B	\$ 248,981
No Child Left Behind	80,055
Reuse of DC Public Schools Excess Space	7,817
National School Food Program	<u>2,072</u>
Subtotal Grants	<u>\$ 338,925</u>

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

<u>Accounts Receivable:</u>	
Student Activities	5,047
Other	<u>6,097</u>
Subtotal Accounts Receivable	\$ <u>11,144</u>
Total	\$ <u>350,069</u>

The School's accounts and 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. The School was at credit risk due to the type of organization for the balance of the accounts and grants receivable as of June 30, 2009.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts, third party contracts and other circumstances. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and grants receivable.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectible when payment has not been received after 180 days.

Promises Receivable:

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

4. FIXED ASSETS:

Furniture and equipment are recorded at cost and contributed property is recorded at the fair market value at the date of the contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any other resulting gain or loss is reflected in revenues for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2009 was \$7,555.

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. FIXED ASSETS: (Continued)

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

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 43,547	\$ 5,248	\$ 38,299
Computer Equipment	3 Years	<u>12,838</u>	<u>2,307</u>	<u>10,531</u>
Total		<u>\$ 56,385</u>	<u>\$ 7,555</u>	<u>\$ 48,830</u>

5. REFUNDABLE ADVANCES:

The Washington Yu Ying Public Charter School records cash receipts on grants in excess of costs incurred on grants as refundable advances until they are expended for the purposes of the grant at which time they are recognized as unrestricted support. There were no refundable advances as of June 30, 2009.

6. LINE OF CREDIT:

On March 31, 2009, Washington Yu Ying Public Charter School entered in to a Line of Credit agreement with United Bank for \$100,000 that matures on February 28, 2010. The agreement bears interest at a variable rate which is the U.S. prime rate. No amount was borrowed during the year ended June 30, 2009.

7. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The School has been approved by the District of Columbia Public Charter School Board (Board) to operate a charter school in the District of Columbia. The contract dated January 10, 2008, provides for a 15 year charter, unless sooner terminated in accordance with the contract. The school enrollment could not be greater than 150 students for the year ended June 30, 2009.

8. PER-PUPIL FUNDING ALLOCATION:

The School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. The number of equivalent full-time students for the year ended June 30, 2009 was 129. For the year ended June 30, 2009, the per-student rate for the educational allotment was \$11,401 for Pre-Kindergarten and Kindergarten; \$8,770 for Grades 1-3; and \$3,109 for facilities allotment.

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. FEDERAL ENTITLEMENTS AND GRANTS:

During the year ended June 30, 2009, the Washington Yu Ying Public Charter School participated in the following federal award programs:

RFEI - Reuse of DC Public Schools Excess Space	\$ 15,000
Department of Education - Title V, Part B	391,207
No Child Left Behind	80,055
Department of Agriculture - National School Food Program	<u>11,636</u>
Total	<u>\$ 497,898</u>

10. COMMITMENTS:

Building Lease:

The Washington Yu Ying Public Charter School entered into a lease agreement with the Charter School Development Corporation effective for a three year period commencing on August 1, 2008 and ending on July 31, 2011 for the rental of 20,367 square feet in a building located at 4401 8th Street, NE Washington DC. This lease calls for monthly lease payments of \$39,886 and additional rent for operating expenses of approximately \$72,000 per year. The Washington Yu Ying Public Charter School has no right to renew the lease terms after July 31, 2011. The cost per square foot is \$23.50 in year 1, \$24.00 in year 2, and \$24.50 in year 3. The lease requires a security and rental deposit of \$50,000. Rental expense for facilities for the year ended June 30, 2009, was \$460,113. In addition, \$1,370 of rental expense was incurred for storage for the year ended June 30, 2009. The future required minimum lease payments as of June 30, 2009 are as follows:

<u>Year Ended June 30,</u>	
2010	\$ 559,960
2011	570,147
2012	47,583
2013	-
2014	<u>-</u>
Total	<u>\$ 1,177,690</u>

11. RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2009, board members and staff of the Washington Yu Ying Public Charter School gave contributions to the organization in the amount of \$10,500.

In addition, donated services in the amount of \$205,382 were contributed by board members and staff of the School. Included in this amount are donated legal services in the amount of \$138,422 contributed by a law firm for which a board member is employed.

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. CONCENTRATIONS:

The Washington Yu Ying Public Charter School is dependent on funding from the District of Columbia Public School System, as authorized by the District of Columbia Public Charter School Board. During the year ended June 30, 2009 sixty three percent (63%) of total support was received from the District of Columbia.

13. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the year ended June 30, 2009 consisted of the following:

Social Security/Medicare	\$ 69,837
Health Insurance	32,344
Life and Disability Insurance	4,132
Unemployment	13,725
Workers Compensation	5,766
Metro Stipends	<u>3,080</u>
Total	\$ <u>128,884</u>

14. CONTINGENCIES:

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

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>				
Executive Salaries	\$ 76,565	\$ 7,657	\$ 34,454	\$ 34,454
Business Operations' Salaries	38,952	19,476	17,528	1,948
Leadership Salaries	98,603	69,022	26,926	2,655
Teaching Salaries	327,418	327,418	-	-
Teaching Aide's Salaries	184,355	184,355	-	-
Other Curriculum Salaries	48,667	48,667	-	-
Front Office Salaries	27,255	3,049	24,206	-
Program Director Salaries	42,732	35,044	5,125	2,563
Other Program Salaries	81,500	81,500	-	-
Fringe Benefits	128,884	108,246	14,906	5,732
Substitute Teachers	9,828	9,828	-	-
Temporary Contract Help	89,985	89,985	-	-
Staff Recruiting	13,073	13,073	-	-
Staff Development Costs	9,997	9,997	-	-
Other Staff Related Expenses	<u>5,306</u>	<u>5,306</u>	<u>-</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 1,183,120</u>	<u>\$ 1,012,623</u>	<u>\$ 123,145</u>	<u>\$ 47,352</u>
<u>Direct Student Costs:</u>				
Student Supplies, Snacks, etc.	\$ 47,341	\$ 47,341	\$ -	\$ -
Student Assessment and Materials	639	639	-	-
Student Textbooks	84,772	84,772	-	-
Library and Media Materials	16,788	16,788	-	-
Contracted Instructional Fees	66,645	66,645	-	-
Food Service Fees	38,183	38,183	-	-
Student Travel/Field Trips	10,039	10,039	-	-
Other Student Costs	<u>14,249</u>	<u>14,249</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 278,656</u>	<u>\$ 278,656</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>				
Rent	\$ 461,483	\$ 386,436	\$ 54,585	\$ 20,462
Utilities	9,188	7,717	1,063	408
Cleaning and Maintenance	9,992	8,392	1,156	444
Contracted Building Services	20,791	17,462	2,404	925
Facility Consulting Fees	<u>16,965</u>	<u>14,249</u>	<u>2,716</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 518,419</u>	<u>\$ 434,256</u>	<u>\$ 61,924</u>	<u>\$ 22,239</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>				
Office Supplies and Materials	\$ 17,785	\$ 15,632	\$ 2,100	\$ 53
Equipment Rental and Maintenance	2,999	2,636	354	9
Telephone and Telecommunications	5,363	4,714	636	13
Postage, Shipping and Delivery	720	480	230	10
Printing and Duplication	<u>3,132</u>	<u>2,996</u>	<u>136</u>	<u>-</u>
Total Office Expenses	<u>\$ 29,999</u>	<u>\$ 26,458</u>	<u>\$ 3,456</u>	<u>\$ 85</u>
<u>General Expenses:</u>				
Insurance	\$ 8,902	\$ 7,825	\$ 1,077	\$ -
Administrative Fee	9,480	-	9,480	-
Accounting, Auditing and Payroll	65,458	-	65,458	-
Legal Fees	440	-	440	-
Computer Support Fees	12,101	10,636	1,465	-
Other Professional Fees	200	200	-	-
Business Fees and Dues	11,833	9,196	2,637	-
Other Expenses	3,368	2,836	532	-
Donated Services Expense	217,222	68,651	144,571	4,000
Donated Materials Expense	4,035	4,035	-	-
Depreciation	<u>7,555</u>	<u>5,807</u>	<u>1,748</u>	<u>-</u>
Total General Expenses	<u>\$ 340,594</u>	<u>\$ 109,186</u>	<u>\$ 227,408</u>	<u>\$ 4,000</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,350,788</u>	<u>\$ 1,861,179</u>	<u>\$ 415,933</u>	<u>\$ 73,676</u>

(See Accompanying Notes and Auditor's Report)

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF AVERAGE COST PER STUDENT
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 1,426,923	\$ 11,062
Instructional Occupancy	434,256	3,366
General and Administrative	415,933	3,224
Fundraising	<u>73,676</u>	<u>571</u>
Total	<u>\$ 2,350,788</u>	<u>\$ 18,223</u>

The above is the average per student cost for the year ended June 30, 2009, and is based on a full time equivalent (FTE) enrollment of 129 students.

(See Accompanying Notes and Auditor's Report)

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF CONTRACTS IN EXCESS OF \$25,000
FOR THE YEAR ENDED JUNE 30, 2009

Contractor/Purpose

	<u>Terms</u>	<u>Current Year Value</u>	<u>Total Value</u>	<u>Approved</u>
Charter School Development Corporation - Sublease	3 Years	\$ 468,071	\$ 1,466,434	Yes
GoldStar - Accounting Services	1 Year	\$ 60,000	\$ 60,000	Yes
At Home Management Food Services - Food Services	1 Year	\$ 35,142	\$ 35,142	Yes
Rehab Focus LLC - Language and Speech Therapy	1 Year	\$ 25,583	\$ 25,583	No

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones
Certified Public Accountants

The Board of Directors
Washington Yu Ying
Public Charter School
4401 8th Street, NE
Washington, DC 20017

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

We have audited the financial statements of the Washington Yu Ying Public Charter School (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Washington Yu Ying Public Charter School's 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 Washington Yu Ying Public Charter 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington Yu Ying Public Charter School's 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. This item is described in the accompanying schedule of findings as item 2009-1.

We noted certain matters that we reported to management of the Washington Yu Ying Public Charter School in a separate letter dated November 4, 2009.

This report is intended solely for the information and use of the audit committee, management, others within the organization and 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.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 4, 2009

WASHINGTON YU YING
PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

I. Summary of Audit Results

- a. The auditor's report expresses an unqualified opinion on the financial statements of the Washington Yu Ying Public Charter School.
- b. No reportable conditions relating to the audit of the financial statements are reported in the 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.
- c. One instance of noncompliance material to the financial statements of the Washington Yu Ying Public Charter School was disclosed during the audit.

II. Findings - Financial Statement Audit

2009-1 Compliance Issue - The School entered into a contract for consulting services that exceeded the \$25,000 threshold and did not obtain the required approval related to this contract in accordance with the DC Government Procurement Laws and Regulations. This contract, which exceeded the threshold by \$583 is reported on Schedule 3 of this report.

Criteria - All contracts for services that exceed \$25,000 should be approved by the District of Columbia Public Charter School Board in advance of incurring the expense.

Effect - Service contract expenses could potentially be disallowed if proper approval is not obtained.

Cause - The School inadvertently overlooked this requirement with regard to this one contract.

Auditor's Recommendations - We recommend that management monitor contracts for services to ensure that proper approval is obtained on contracts that exceed \$25,000 in value.

Auditee Response - We are in agreement with this issue and will take steps to institute controls to ensure that all contracts in excess of \$25,000 receive the required approval.

III. Summary of Prior Audit Findings and Corrective Action Plan

Not applicable as this is the initial audit of the Washington Yu Ying Public Charter School.