

WASHINGTON YU YING PUBLIC CHARTER SCHOOL

FINANCIAL STATEMENTS AND  
AUDITORS' REPORT

JUNE 30, 2010 AND 2009

**STANFIELD & PHILLIPS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON YU YING PUBLIC CHARTER SCHOOL

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5-11
SUPPLEMENTAL INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENSES	12
INDEPENDENT AUDITORS' 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	13-14
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	15-16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	18-19

# STANFIELD & PHILLIPS, LLC

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors

WASHINGTON YU YING PUBLIC CHARTER SCHOOL

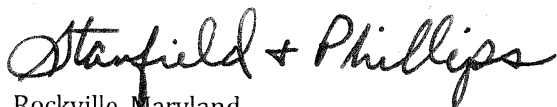
We have audited the accompanying statements of financial position of WASHINGTON YU YING PUBLIC CHARTER SCHOOL (Yu Ying) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. The financial statements of Yu Ying as of June 30, 2009, were audited by other auditors whose report dated November 4, 2009, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the management of Yu Ying. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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, 2010 and the changes in net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010 on our consideration of the Yu Ying's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses on pages 12 is presented for purposes of additional analysis and is 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.



Rockville, Maryland  
September 28, 2010

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

ASSETS		
	2010	2009
Cash and cash equivalents	\$ 1,512,799	\$ 358,343
Grants receivable	133,265	338,925
Accounts receivable	290	11,144
Prepaid expenses	43,086	26,051
Property and equipment, net (NOTE 3)	91,898	48,830
Security deposits	50,000	50,000
<b>TOTAL ASSETS</b>	<b>\$ 1,831,338</b>	<b>\$ 833,293</b>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 57,733	\$ 50,262
Accrued salaries and expenses	25,979	8,556
Deferred revenue	152,834	-
<b>Total Liabilities</b>	<b>236,546</b>	<b>58,818</b>
NET ASSETS		
Unrestricted	1,594,792	710,395
Temporarily unrestricted	-	64,080
<b>Total Net Assets</b>	<b>1,594,792</b>	<b>774,475</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,831,338</b>	<b>\$ 833,293</b>

See auditor's report and accompanying notes to financial statements

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

	2010		2009
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES, GAINS AND OTHER SUPPORT			
Per pupil appropriations	\$ 2,681,015	\$ -	\$ 2,681,015
Federal entitlements and grants	681,529	-	681,529
Other grants and contributions	129,797	-	129,797
Donated services and materials	241,966	-	241,966
Interest	3,195	-	3,195
Program service fees	365,435	-	365,435
Other revenues	1,851	-	1,851
			\$ 1,895,948
			497,898
			22,487
			221,257
			3,869
			248,468
			13,921
TOTAL REVENUE AND OTHER SUPPORT	4,104,788	-	4,104,788
NET ASSETS RELEASED FROM RESTRICTIONS	64,080	(64,080)	-
TOTAL REVENUE AND RECLASSIFICATIONS	4,168,868	(64,080)	2,903,848
EXPENSES			
Educational services	2,606,707	-	1,861,179
General and administrative services:	575,686	-	415,933
Fundraising	102,079	-	73,676
TOTAL EXPENSES	3,284,471	-	2,350,788
CHANGE IN NET ASSETS	884,397	(64,080)	553,060
NET ASSETS, BEGINNING OF YEAR	710,395	64,080	221,415
NET ASSETS, END OF YEAR	\$ 1,594,792	\$ -	\$ 774,475

See auditor's report and accompanying notes to financial statements

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 820,317	\$ 553,060
Reconciling adjustments		
Depreciation	25,822	7,555
Donation of fixed assets		
(Increase) decrease in assets		
Grants and accounts receivable	216,514	(240,709)
Prepaid expenses	(17,035)	(25,641)
Security deposits	-	(50,000)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	7,471	21,906
Accrued salaries and expenses	17,423	8,556
Deferred revenue	<u>152,834</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>1,223,346</u>	<u>274,727</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(68,890)</u>	<u>(56,385)</u>
Net cash (Used For) Investing Activities	<u>(68,890)</u>	<u>(56,385)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,154,456	218,342
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>358,343</u>	<u>140,001</u>
End of year	<u><u>\$ 1,512,799</u></u>	<u><u>\$ 358,343</u></u>

See auditor's report and accompanying notes to financial statements.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

1. ORGANIZATION AND PURPOSE

The Washington Yu Ying Public Charter School (Yu Ying), a District of Columbia Not-for-Profit Corporation, was incorporated on March 10, 2006, exclusively for educational purposes. Yu Ying operates as part of the District of Columbia Public School system. Yu Ying 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Yu Ying'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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Yu Ying is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. SFAS No. 117 also requires the organization to report expenses as a decrease in unrestricted net assets whether they are incurred to satisfy a donor's restrictions or not.

Use of Estimates

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

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Contributions

Yu Ying 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.

Contributions received are recorded as 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.

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.

Deferred Revenues

Deferred revenues result from per pupil appropriated income awarded in the current fiscal year and deferred until the next fiscal year in which the work is performed.

Income Taxes

Yu Ying is exempt from federal income taxes on related income under the provisions of Section 501(c)(3) of the Internal Revenue Code. 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.

Functional Expenses

The costs of providing Yu Ying'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.

Comparative Information

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Yu Ying's financial statement for the year ended June 30, 2009, from which the summarized information was derived.



WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

3. PROGRAM AND SUPPORTING SERVICES

Basic Programs

Washington Yu Ying Public Charter School (Yu Ying) 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 Yu Ying 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. 2009-10 marked Washington Yu Ying's second year with 198 students, representing Pre-K, Kindergarten, First and Second Grade.

These students experienced Yu Ying's innovative Chinese language immersion program, learning 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 Program. Each classroom is staffed with a Lead and an Assistant teacher and all Chinese and English teachers are native speakers.

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 385 applications for the 50 available spots in Pre-K through 2<sup>nd</sup> Grade for the 2010-11 school year. Moreover, Yu Ying had over a 90% re-enrollment rate.

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

51% African American  
27% Caucasian  
16% Asian  
6% Hispanic

In addition to enrollment success, Yu Ying in its second year has achieved measurable academic, financial, organizational and community 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 2009-2010 Academic Year. Students performed very well, demonstrating the success of our academic program. The assessments also allowed us to uncover areas needing adjustment and lead to the adoption of a new math program for this year SY 10-11.

In 2009-10 Washington Yu Ying received the Foreign Language Assistance Program Grant from the Department of Education. In this school year Yu Ying developed and performed its first CIRCLE assessments, benchmarking Yu Ying students' Chinese reading and writing capability.

Yu Ying successfully completed the PCSB Self-Study Assessment that reviews Yu Ying's leadership, organizational and educational practices.

Yu Ying's Parent Association and Board of Trustees held an incredibly successful Dragon Festival Gala that raised approximately \$50,000 for school resources.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

3. PROGRAM AND SUPPORTING SERVICES *(continued)*

Basic Programs *(continued)*

Yu Ying ended the year with approximately \$800,000 in net income, \$400,000 ahead of budget.

Yu Ying's board and staff look forward to building on their first two years' success in order to develop this school that nurtures excellence for 700 students eventually.

4. CASH AND CASH EQUIVALENTS

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

Yu Ying maintains cash balances at two financial institutions, which do not exceed federally insured limits.

5. ACCOUNTS AND GRANTS RECEIVABLE

Yu Ying's grants receivable consist of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. Yu Ying performs ongoing credit evaluations of its funding sources and generally does not require collateral. Grants receivable are considered to be fully collectible by management.

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.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

6. 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.

The following is a summary of fixed assets at June 30:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 68,016	\$ 43,547
Computer Equipment	<u>57,260</u>	<u>12,838</u>
	125,276	56,385
Less allowance for depreciation	<u>(33,377)</u>	<u>(7,555)</u>
Fixed assets, net	<u>\$ 91,898</u>	<u>\$ 48,830</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$25,822 and \$7,555, respectively.

7. LINE OF CREDIT

On February 28, 2010, Yu Ying renewed a Line of Credit agreement with United Bank for \$100,000 that matures on February 23, 2011. The agreement bears interest at a variable rate which is the U.S. prime rate plus 1%. No amount was outstanding as of June 30, 2010.

8. TEMPORARILY RESTRICTED NET ASSETS

No temporarily restricted net assets were available at year end.

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 \$ 64,080

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

9. DONATED SERVICES AND MATERIALS

There was \$188,665 and \$217,222 of services and \$53,301 and \$4,035 of materials recorded in the financial statements for the years ended June 30, 2010 and 2009, respectively. 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 volunteers donated significant amounts of their time in Yu Ying's supporting services for which no value has been assigned.

10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT

Yu Ying 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. Yu Ying enrollment could not be greater than 200 students for the year ended June 30, 2010.

11. COMMITMENTS

Yu Ying entered into a lease agreement with the Charter School Development Corporation effective for a three year period commencing on August 1, 2008 and ended 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. Yu Ying has no right to renew the lease terms after July 31, 2011. The lease requires a security and rental deposit of \$50,000. Rental expense for facilities for the years ended June 30, 2010 and 2009 was \$537,461 and \$460,113, respectively.

The future required minimum lease payments are as follows:

<u>For the Years Ending June 30,</u>	
2011	\$ 547,643
2012	<u>45,708</u>
Total	<u>\$ 593,351</u>

12. RETIREMENT PLAN

Yu Ying has a Simple IRA Plan covering all full-time employees with one year of service. The Plan allows for employees to make pre-tax contributions for the benefit of retirement savings. Yu Ying matches the employee's contribution up to 3% of salary. The match is immediately vested. Total expense for the year ended June 30, 2010 was \$10,799.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

13. CONCENTRATIONS

Yu Ying 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 years ended June 30, 2010 and 2009, 65% and 63% of total support was received from the District of Columbia.

14. AVERAGE COST PER STUDENT

For the years ended June 30, 2010 and 2009 the average cost per student was \$16,588 and \$18,223, respectively. This is calculated by dividing total noncapital expenditures, by the school's full-time student enrollment.

15. CONTRACTS IN EXCESS OF \$25,000

In accordance with requirements of the District of Columbia Public Charter School Board, the following is the listing of new contracts in excess of \$25,000 entered into by the School during the year ended June 30, 2010:

Family Salvador Cleaning Company	\$34,466	Janitorial Services
Lynch Development Partners, LLC	\$27,692	Facility Consulting Services
Psychology Group of Washington	\$31,761	Special Ed Services
Rehab Focus, LLC	\$43,888	Special Ed Services
Revolution Foods	\$52,188	Food Service

16. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, Yu Ying evaluated subsequent events through September 28, 2010, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2009

	PROGRAM	MANAGEMENT	FUNDRAISING	TOTAL	FY09 TOTAL
Salaries	\$ 1,402,346	\$ 180,613	\$ 10,228	\$ 1,593,187	\$ 935,875
Employee benefits	81,834	10,530	592	92,956	39,555
Payroll taxes	119,364	15,359	864	135,588	83,562
Professional development	21,658	2,787	157	24,602	9,997
Direct student cost	286,983	-	-	286,983	278,656
Advertising, marketing and recruiting	15,910	2,047	115	18,072	15,528
Office supplies	20,726	2,667	150	23,543	17,785
Office expense and equipment rental	7,016	903	51	7,970	2,999
Insurance	13,383	1,722	97	15,202	14,668
Rent	473,152	60,883	3,426	537,461	461,483
Maintenance, utilities, and janitorial services	74,085	9,533	536	84,154	39,972
Other facilities expense	-	29,122	-	29,122	16,965
Telephone	4,411	568	32	5,011	5,363
Postage	1,205	155	9	1,368	720
Printing and copying	4,472	575	32	5,080	3,132
Authorizer fees	-	14,019	-	14,019	9,480
Accounting, auditing and payroll	-	86,837	-	86,837	65,458
Other professional and fundraising fees	27,871	3,442	13,772	45,085	12,930
Other expense	14,965	4,222	33	19,219	96,204
Dues, fees, and fines	5,000	3,225	-	8,225	11,644
Donated services and materials	10,248	142,735	71,983	224,966	221,257
Depreciation	22,078	3,744	-	25,822	7,555
	<u>\$ 2,606,707</u>	<u>\$ 575,686</u>	<u>\$ 102,079</u>	<u>\$ 3,284,471</u>	<u>\$ 2,350,788</u>

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## INDEPENDENT AUDITORS' 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

Board of Directors  
WASHINGTON YU YING PUBLIC CHARTER SCHOOL

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, 2010, and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School'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 School's internal control.

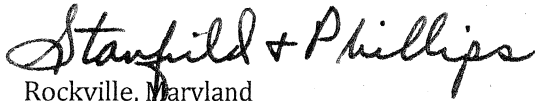
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any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

INDEPENDENT AUDITORS' 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 (CONTINUED)

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2010-1.

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.



Rockville, Maryland  
September 28, 2010



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors  
WASHINGTON YU YING PUBLIC CHARTER SCHOOL

### Compliance

We have audited the compliance of WASHINGTON YU YING PUBLIC CHARTER SCHOOL (School) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditors' results section in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirements of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School's internal control.

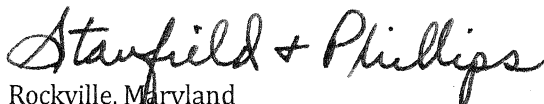
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

Our audit was made for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local governments, and Non Profit Organizations*, and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audits 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.

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.

  
Rockville, Maryland  
September 28, 2010

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Department of Education:		
ARRA – State Fiscal Stabilization Fund Education Grant	84.394A	\$ 188,050
ARRA – State Fiscal Stabilization Fund Government Services	84.397A	25,427
ARRA – IDEA 611 – Special Education Grants To Local Education Agencies	84.391A	27,919
ARRA – IDEA 619 – Special Education Preschool Grants to Local Education Agencies	84.392A	497
IDEA 611 – Special Education Grants To Local Education Agencies	84.027A	21,871
IDEA 619 – Special Education Preschool Grants to Local Education Agencies	84.173A	2,077
Title II, Part A – Improving Teacher Quality State Grants	84.367A	13,192
Title IV, Part A – Safe and Drug-Free Schools And Communities State Grants	84.186A	502
Title V, Part B – Charter School Start Up	84.282	170,620
Foreign Language Assistance Program	84.293B	<u>177,038</u>
Sub-total Department of Education		<u>627,193</u>
Department of Agriculture – Food and Nutrition Service:		
National School Lunch Program	10.555	17,715
National School Breakfast Program	10.553	<u>150</u>
Sub-total Department of Agriculture		<u>17,865</u>
Congressional Appropriation:		
Public Charter School Facilities Funding Grant	N/A	<u>36,471</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 681,529</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements OMB Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified

\_\_\_yes      Xno

Significant deficiencies identified that are  
not considered to be material weaknesses

\_\_\_yes      Xnone reported

Noncompliance material to financial statements noted

Xyes      \_\_\_no

*Federal Awards*

Internal control over major programs:

Material weaknesses identified

\_\_\_yes      Xno

Significant deficiencies identified that are  
not considered to be material weaknesses

\_\_\_yes      Xnone reported

Type of auditor's report issued on compliance  
for major programs

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section  
510(a) of OMB Circular A-133

\_\_\_yes      Xno

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.394A

ARRA – State Fiscal Stabilization Fund Education Grant

84.397A

ARRA – State Fiscal Stabilization Fund Government Services

84.282

Title V, Part B – Charter School Start Up

Dollar threshold used to distinguish between  
type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_yes      Xno

WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

***#2010-1 and #2009-1(Prior Year Finding), Compliance Issue***

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.

Condition:

In fiscal year 2009 the School entered into one contract for consulting services that exceeded the \$25,000 threshold by \$583. In fiscal year 2010 the School entered into one contract for consulting services that exceeded the \$25,000 threshold by \$2,692. In both cases, the School did not obtain the required approval related to these contracts in accordance with the DC Government Procurement Laws and Regulations.

Context

In testing the compliance with the approval requirement for contracts over \$25,000, we found that the School did obtain the required approvals for three other contracts, and sent in the proper documentation for a fourth contract in 2010. At that time, these were the only contracts which were anticipated to exceed the approval threshold.

Effect

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

Cause

The School in both years did not expect the contracts to go over the \$25,000 threshold and found that they did in the latter part of the school year, which was after the approval could have been obtained.

Recommendation

We recommend that management monitor contracts for services to ensure that proper approval is obtained on contracts that exceed \$25,000.

Views of responsible officials and planned corrective actions

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