

WASHINGTON YU YING PUBLIC CHARTER SCHOOL

FINANCIAL STATEMENTS AND
AUDITORS' REPORT

JUNE 30, 2011 AND 2010

STANFIELD & PHILLIPS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON YU YING PUBLIC CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

The Board of Directors

WASHINGTON YU YING PUBLIC CHARTER SCHOOL

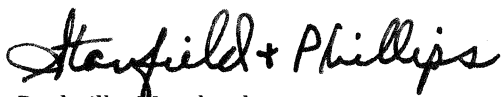
We have audited the accompanying statements of financial position of WASHINGTON YU YING PUBLIC CHARTER SCHOOL (Yu Ying) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Yu Ying. Our responsibility is to express an opinion on the financial statements based on our audits. The prior year summarized comparative information has been derived from Yu Ying's 2010 financial statements and, in our report dated September 28, 2010 we expressed an unqualified opinion on those financial statements

We conducted our audits in accordance with U.S. generally accepted auditing standards and *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 audits provide 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 Yu Ying as of June 30, 2011 and 2010 and the changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 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 audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole



Rockville, Maryland
October 21, 2011

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	ASSETS	
	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,230,270	\$ 1,512,799
Restricted cash and cash equivalents	398,015	-
Grants receivable	151,178	133,265
Accounts receivable	33,078	290
Prepaid expenses	66,582	43,086
Security deposits	7,183	50,000
Total Current Assets	<u>1,886,306</u>	<u>1,739,440</u>
LONG TERM ASSETS		
Property and equipment, net (NOTE 6)	10,408,905	91,898
Unamortized loan costs, net (NOTE 7)	216,027	-
Total Long Term Assets	<u>10,624,932</u>	<u>91,898</u>
TOTAL ASSETS	<u><u>\$ 12,511,238</u></u>	<u><u>\$ 1,831,338</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,398,333	\$ 57,733
Accrued salaries and expenses	133,016	25,979
Short-term portion of long-term debt	10,924	-
Deferred revenue	-	152,834
Total Current Liabilities	<u>1,542,273</u>	<u>236,546</u>
LONG-TERM DEBT (NOTE 8)	<u>7,560,175</u>	<u>-</u>
Total Liabilities	<u>9,102,448</u>	<u>236,546</u>
NET ASSETS		
Unrestricted	3,401,957	1,594,792
Temporarily restricted (NOTE 9)	6,833	-
Total Net Assets	<u>3,408,790</u>	<u>1,594,792</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,511,238</u></u>	<u><u>\$ 1,831,338</u></u>

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, 2011
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	2011			2010
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	
REVENUES, GAINS AND OTHER SUPPORT				
Per pupil appropriations	\$ 3,466,986	\$ -	\$ 3,466,986	\$ 2,681,015
Federal entitlements and grants	1,601,446	-	1,601,446	681,529
Other grants and contributions	144,026	9,856	153,882	129,797
Donated services and materials (NOTE 10)	450,797	-	450,797	241,966
Interest	4,433	-	4,433	3,195
Program service fees	466,363	-	466,363	365,435
Other revenues	2,420	-	2,420	1,851
TOTAL REVENUE AND OTHER SUPPORT	6,136,471	9,856	6,146,327	4,104,788
NET ASSETS RELEASED FROM RESTRICTIONS	3,023	(3,023)	-	-
TOTAL REVENUE AND RECLASSIFICATIONS	6,139,494	6,833	6,146,327	4,104,788
EXPENSES				
Educational services	3,317,708	-	3,317,708	2,606,707
General and administrative services:	864,574	-	864,574	575,686
Fundraising	150,047	-	150,047	102,078
TOTAL EXPENSES	4,332,329	-	4,332,329	3,284,471
CHANGE IN NET ASSETS	1,807,165	6,833	1,813,998	820,317
NET ASSETS, BEGINNING OF YEAR	1,594,792	-	1,594,792	774,475
NET ASSETS, END OF YEAR	\$ 3,401,957	\$ 6,833	\$ 3,408,790	\$ 1,594,792

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,813,998	\$ 820,317
Reconciling adjustments		
Depreciation and amortization	46,419	25,822
(Increase) decrease in assets		
Grants and accounts receivable	(50,701)	216,514
Prepaid expenses	(23,496)	(17,035)
Security deposits	42,817	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,340,600	7,471
Accrued salaries and expenses	107,037	17,423
Deferred revenue	<u>(152,834)</u>	<u>152,834</u>
Net Cash Provided By Operating Activities	<u>3,123,840</u>	<u>1,223,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(10,359,202)</u>	<u>(68,890)</u>
Net cash (Used For) Investing Activities	<u>(10,359,202)</u>	<u>(68,890)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	7,571,099	-
Loan costs	<u>(220,251)</u>	<u>-</u>
Net Cash Provided By Financing Activities	<u>7,350,848</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,486	1,154,456
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,512,799</u>	<u>358,343</u>
End of year	<u><u>\$ 1,628,285</u></u>	<u><u>\$ 1,512,799</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, 2011 AND 2010

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

Yu Ying reports 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. Yu Ying also reports 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.

Contributions

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.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

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

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. 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. When property and equipment is sold or retired, the cost of the assets and the related accumulated depreciation are written off and the gain or loss, if any, is recognized.

Loan Acquisition Fees

Loan acquisition fees are capitalized and are being amortized over the lives of the loans.

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.

Yu Ying adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FASB ASC 740 had no impact on Yu Ying's audited financial statements. Yu Ying does not believe their financial statements include (or reflect) any uncertain tax positions.

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, 2010, from which the summarized information was derived.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

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 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 which are led by native speakers of both languages.

Demand for this innovative program resulted in approximately 600 applications for 100 spots for the 2011-12 school year. Yu Ying families in grades PreK-4th grade this year are all interested in providing their children with an education that will prepare them for a future filled with opportunity. To further assist Yu Ying's goal of bilingualism by Grade 8, this school year Yu Ying has reduced overall class size for its 367 students and converted the Pre-K program to a full Chinese immersion program.

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:

- 47% African American
- 32% Caucasian
- 19% Asian
- 2% Hispanic

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

- For 2010-11 in the school's first year of completing standardized tests, Yu Ying 3rd graders achieved 62% and 57% passing rates in their DCCAS for Reading and Math respectively, placing the school within the top 10 charters in the city in Reading and just shy of the top 10 in Math.
- Yu Ying, financially successful in its first three years, was able to finance the purchase and renovation of a 40,000 square foot facility on 3 acres and open up school this year.
- Yu Ying successfully completed the PCSB Performance Management Framework that reviews its leadership, organizational and educational practices.
- The Washington Yu Ying Parent Association hosted a Gala that raised over \$100,000 with a net amount of \$60,000.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

3. PROGRAM AND SUPPORTING SERVICES (*continued*)

- In August 2009, Yu Ying was awarded the Foreign Language Assistance Program grant from the Department of Education to support the Chinese program. This grant provides approximately \$300,000 per year for three years, a cost shared at 127% by the school. In the grant's second year, Yu Ying's Chinese team created over 100 leveled readers in Chinese as well as Chinese literacy and comprehension assessments. The school also received Candidate Status from the International Baccalaureate Organization--the first step toward obtaining recognition as a World School.
- The school has also received a great deal of national and international press in the past years: New York Times, Singapore Straits Times and Phoenix TV in China and local outlets including the Kojō Nnamdi Show, *All Things Considered*, and a front page feature in the City Paper.

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. Cash that is restricted by loan agreements is presented separately as restricted cash.

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, 2011 AND 2010

6. FIXED ASSETS

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

	<u>2011</u>	<u>2010</u>
Land	\$ 3,070,000	\$ -
Building	4,065,976	-
Furniture and equipment	152,909	68,016
Computer Equipment	<u>72,919</u>	<u>57,260</u>
	7,361,804	125,276
Less allowance for depreciation	<u>(75,572)</u>	<u>(33,377)</u>
Property and Equipment, net	7,286,232	91,898
Construction in progress	3,033,133	-
Capitalized interest during construction period	<u>89,540</u>	<u>-</u>
Property and Equipment, net	<u>\$ 10,408,905</u>	<u>\$ 91,898</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$42,195 and \$25,822, respectively.

7. UNAMORTIZED LOAN COSTS

The following is a summary of loan acquisition fees as of June 30, 2011:

Loan costs	\$ 220,251
Less allowance for amortization	<u>(4,224)</u>
Loan costs, net	<u>\$ 216,027</u>

Loan costs are amortized over the lives of the loans. Amortization expense for the year ended June 30, 2011 was \$4,224.

8. LONG TERM DEBT

On April 4, 2011 Yu Ying purchased the land and building at 220 Taylor Street, N.E. Washington, D.C. at a cost of \$7,100,000. Subsequent to the purchase Yu Ying commenced with major renovations to the building. The building acquisition and construction costs were financed by a \$4,771,099 loan from Eagle Bank (Eagle), an \$800,000 loan from the Charter School Development Corporation (CSDC), a \$2,000,000 loan from the District of Columbia Office of Public Charter School Financing and Support (OPCSFS), and a \$999,871 City Build Grant.

The Eagle loan was an acquisition and construction draw down line of credit to be converted to a tax exempt bond upon completion of the construction or October 4, 2012 whichever comes first. The initial financing was based on a floating rate of prime as published in the Wall Street Journal, with a floor of 6%. Upon conversion to a tax exempt bond, the interest rate will be the prevailing U.S. Treasury interest rate plus 4.25% minus Eagle's prevailing tax rate of 4%. Repayment of the loan is interest only for 18 months

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

8. LONG TERM DEBT (CONTINUED)

and then, upon conversion, monthly principal and interest payments based on a 25 year amortization for 2 years, then monthly principal and interest payments based on a 20 year amortization, with a final balloon payment 5 years after the date of the conversion. The loan is collateralized by the real estate and the Yu Ying's per pupil facility allowance and all future unrestricted philanthropic pledges. Yu Ying is required to maintain certain covenants.

The CSDC loan is at a fixed rate of interest of 6.5% per annum. Interest payments are to be made monthly and potential principal payments, based on a formula of net cash flow, on a pro-rata basis with the OPCSFS loan, are to be made annually. Notwithstanding, the loan is due and payable in full on the earlier to occur of April 1, 2016 or the refinancing of the Eagle loan. The collateral for the CSDC loan is a second lien (on a parity with the security for the OPCSFS loan) on the real estate, subordinate assignment to the per pupil facility allowance, and subordinate priority UCC lien on all fixed assets of the School.

The OPCSFS loan is at a fixed rate of interest of 4% per annum. The payments are interest only for 12 months, then principal and interest payments for 20 years. The collateral for the OPCSFS loan is a second lien (on a parity with the security for the CSDC loan) on the real estate, subordinate assignment to the per pupil facility allowance, and subordinate priority UCC lien on all fixed assets of the School.

OPCSFS has also provided \$700,000 debt service enhancement guaranty in favor of Eagle which will terminate in 5 years.

During the year ended June 30, 2011 interest expense on these loans in the amount of \$89,540 has been capitalized as part of construction costs.

The following summarizes long-term debt at June 30, 2011:

Eagle Bank	\$ 4,771,099
Charter Schools Development Corporation	800,000
Public Charter School Financing and Support	<u>2,000,000</u>
	7,571,099
Less: current portion	<u>(10,924)</u>
Total long-term debt	<u>\$ 7,560,175</u>

Aggregate annual maturities of the notes payable are as follows:

For the Years Ending June 30,

2012	\$ 10,924
2013	5,638,193
2014	69,827
2015	72,672
2016	75,632
Thereafter	<u>1,703,851</u>
Total	<u>\$ 7,571,099</u>

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

9. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2011 temporarily restricted net assets were available for specific school programs.

10. DONATED SERVICES AND MATERIALS

There were \$400,078 and \$188,665 of mainly pro-bono legal services and \$50,719 and \$53,301 of donated materials for the Gala recorded in the financial statements for the years ended June 30, 2011 and 2010, 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.

11. 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.

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 years ended June 30, 2011 and 2010 was \$23,488 and \$10,799, respectively.

13. CONCENTRATIONS

Yu Ying is dependent on per-pupil 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, 2011 and 2010, 56% and 65% of total support was provided by per-pupil funding.

14. AVERAGE COST PER STUDENT

For the years ended June 30, 2011 and 2010 the average cost per student was \$17,976 and \$16,588, respectively. This is calculated by dividing total noncapital expenditures, by the school's full-time student enrollment.

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011 AND 2010

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 Yu Ying during the year ended June 30, 2011:

Cleanhouse	\$47,245	Cleaning Services
Educational Solutions, LLC	\$29,173	Special Education Services
Jewel Therapy Service, Inc.	\$36,000	Special Education Services
Glover Equipment Sales Group, LLC	\$56,770	Furniture and equipment
Kopman, Inc.	\$76,826	Construction

16. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, Yu Ying evaluated subsequent events through October 21, 2011, 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, 2011
WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	PROGRAM	MANAGEMENT	FUNDRAISING	FY11 TOTAL	FY10 TOTAL
<u>Personnel, Salaries and Benefits</u>					
Salaries	\$ 1,882,400	\$ 232,668	\$ 29,112	\$ 2,144,180	\$ 1,593,187
Employee benefits	125,057	15,264	1,924	142,245	92,956
Payroll taxes	154,363	18,842	2,374	175,579	135,588
Professional development	35,256	4,303	542	40,101	24,602
Other staff-related expense	34,147	4,168	525	38,840	23,277
Total Personnel Costs	<u>2,231,223</u>	<u>275,245</u>	<u>34,477</u>	<u>2,540,945</u>	<u>1,869,610</u>
<u>Direct student costs</u>					
Supplies, materials, snacks	98,191	-	-	98,191	49,197
Fieldwork and other transportation	25,497	-	-	25,497	15,095
Contracted instruction fees	139,117	-	-	139,117	100,868
Textbooks	14,365	-	-	14,365	40,655
Student assessments	3,546	-	-	3,546	10,040
Student food service program	69,429	-	-	69,429	52,188
Other student costs	20,928	-	-	20,928	18,939
Total direct student costs	<u>371,073</u>	<u>-</u>	<u>-</u>	<u>371,073</u>	<u>286,982</u>
<u>Occupancy Expense</u>					
Rent	439,599	53,658	6,762	500,019	537,461
Maintenance and repairs	164	20	3	187	1,973
Utilities and garbage removal	45,801	5,590	704	52,095	28,505
Contracted building services	40,014	4,884	615	45,513	41,436
Facilities consulting services	15,318	1,870	236	17,424	29,122
Janitorial supplies	8,059	984	124	9,167	12,240
Depreciation - facilities	3,714	453	57	4,224	-
Total occupancy expense	<u>552,669</u>	<u>67,459</u>	<u>8,501</u>	<u>628,629</u>	<u>650,737</u>
<u>Office Expense</u>					
Office supplies	14,715	1,796	226	16,737	23,543
Office expense and equipment rental	10,092	1,232	155	11,479	7,970
Telephone	4,963	606	76	5,645	5,011
Postage	1,939	237	30	2,206	1,368
Printing and copying	7,970	973	123	9,066	5,080
Computer support expenses	23,640	2,885	364	26,889	27,955
Total Office Expense	<u>63,319</u>	<u>7,729</u>	<u>974</u>	<u>72,022</u>	<u>70,927</u>
<u>General Expense</u>					
Insurance	16,258	1,984	250	18,492	15,202
Authorizer fees	-	16,987	-	16,987	14,019
Accounting, auditing and payroll	-	91,219	-	91,219	86,837
Legal fees	-	-	-	0	3,261
Other professional and fundraising fees	45,950	350	36,492	82,792	13,869
Dues, fees, and fines	611	11,120	1,894	13,625	8,225
Other general expense	200	3,353	-	3,553	14,015
Donated services	-	383,338	16,740	400,078	188,664
Donated materials	-	-	50,719	50,719	36,301
Depreciation - operating assets	36,405	5,790	-	42,195	25,822
Total General Expense	<u>99,424</u>	<u>514,141</u>	<u>106,095</u>	<u>719,660</u>	<u>406,215</u>
Total Functional Expenses	<u>\$ 3,317,708</u>	<u>\$ 864,574</u>	<u>\$ 150,047</u>	<u>\$ 4,332,329</u>	<u>\$ 3,284,471</u>

STANFIELD & PHILLIPS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011, and have issued our report thereon dated October 21, 2011. 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 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.

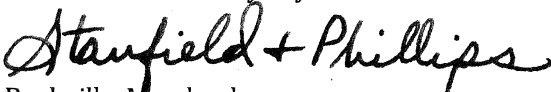
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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
October 21, 2011

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

Board of Directors
WASHINGTON YU YING PUBLIC CHARTER SCHOOL

Compliance

We have audited WASHINGTON YU YING PUBLIC CHARTER SCHOOL (School)'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2011. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

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

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

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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
October 21, 2011

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<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:		
IDEA 611 – Special Education Grants To Local Education Agencies	84.027A	\$ 29,591
IDEA 619 – Special Education Preschool Grants to Local Education Agencies	84.173A	940
Title II, Part A – Improving Teacher Quality State Grants	84.367A	15,455
Title III – English Language Acquisition Enhancement and Achievement	84.365	3,127
Title IV, Part A – Safe and Drug-Free Schools And Communities State Grants	84.186A	743
Education Jobs Fund	84.410A	53,319
Foreign Language Assistance Program	84.293B	<u>300,259</u>
Sub-total Department of Education		<u>403,434</u>
Department of Agriculture – Food and Nutrition Service:		
National School Lunch Program	10.555	28,857
National School Breakfast Program	10.553	<u>1,190</u>
Sub-total Department of Agriculture		<u>30,047</u>
Congressional Appropriations:		
Quality Schools Incentive Grant	N/A	50,000
Teacher Compensation Grant	N/A	72,300
CityBuild Grant	N/A	999,891
Education Pioneers	N/A	4,750
Public Charter School Facilities Funding Grant	N/A	<u>41,024</u>
Sub-total Congressional Appropriations		<u>1,167,965</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,601,446</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, 2011

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 ☒no

Significant deficiencies identified that are
not considered to be material weaknesses ☐yes ☒none reported

Noncompliance material to financial statements noted ☐yes ☒no

Federal Awards

Internal control over major programs:

Material weaknesses identified ☐yes ☒no

Significant deficiencies identified that are
not considered to be material weaknesses ☐yes ☒none 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 ☒no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	-------------------------------------------

N/A	CityBuild
84.293B	Foreign Language Assistance Program

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

Auditee qualified as low-risk auditee? ☐yes ☒no

WASHINGTON YU YING PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#2010-1 and #2009-1, 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.

Current Status

In the current year all contracts in excess of \$25,000 received the required approval.