

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND  
AUDITORS' REPORT**

**JUNE 30, 2012 AND 2011**

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**AUDITED FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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# McQuade.Brennan.LLP

Certified Public Accountants and Consultants  
1730 Rhode Island Avenue, NW  
Suite 800  
Washington, DC 20036

The Board of Directors  
Washington Yu Ying Public Charter School

## Independent Auditors' Report

We have audited the accompanying statement of financial position of Washington Yu Ying Public Charter School (Yu Ying) as of June 30, 2012 and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from Yu Ying's 2011 financial statements. The 2011 financial statements were audited by Stanfield & Phillips, LLC, who merged with McQuade Brennan, LLP as of January 1, 2012, and whose report dated October 21, 2011, expressed an unqualified opinion on those statements.

We conducted our audit 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 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 Yu Ying as of June 30, 2012 and 2011, and the changes in net assets and its cash flows for the years 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 October 22, 2012, on our consideration of Yu Ying'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 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 financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Washington, DC  
October 22, 2012

Telephone (202) 296-3306  
Fax (202) 296-0059  
[www.mcquadebrennan.com](http://www.mcquadebrennan.com)  
Member, Enterprise Worldwide  
An International Association of Accountants and Advisors



**WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION**

<i>As of June 30,</i>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,265,967	\$ 1,230,270
Restricted cash and cash equivalents	255,661	398,015
Grants receivable	150,412	151,178
Accounts receivable	4,354	33,078
Prepaid expenses	60,030	66,582
Security deposits	3,395	7,183
<b>TOTAL CURRENT ASSETS</b>	<b>3,739,819</b>	<b>1,886,306</b>
<b>LONG TERM ASSETS</b>		
Property and equipment, net	14,272,222	10,408,905
Unamortized loan costs, net	343,681	216,027
<b>TOTAL LONG TERM ASSETS</b>	<b>14,615,903</b>	<b>10,624,932</b>
<b>TOTAL ASSETS</b>	<b>\$ 18,355,722</b>	<b>\$ 12,511,238</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 114,597	\$ 1,398,333
Accrued salaries and expenses	156,932	133,016
Short-term portion of long-term debt	525,720	10,924
Deferred revenue	297,515	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,094,764</b>	<b>1,542,273</b>
<b>LONG-TERM DEBT</b>	<b>12,458,962</b>	<b>7,560,175</b>
<b>TOTAL LIABILITIES</b>	<b>13,553,726</b>	<b>9,102,448</b>
<b>NET ASSETS</b>		
Unrestricted	4,799,647	3,401,957
Temporarily restricted	2,349	6,833
<b>TOTAL NET ASSETS</b>	<b>4,801,996</b>	<b>3,408,790</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,355,722</b>	<b>\$ 12,511,238</b>

*See Independent Auditors' Report and Accompanying Notes*

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES**

<i>For the Years Ended June 30,</i>	<b>2012</b>		<b>2011</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Per pupil appropriations	\$ 5,369,388	\$ -	\$ 5,369,388
Federal entitlements and grants	480,532	-	480,532
Other grants and contributions	82,872	5,914	88,786
Donated services and materials	162,170	-	162,170
Interest	2,330	-	2,330
Program service fees	704,181	-	704,181
Other revenues	5,373	-	5,373
Net Assets released from restrictions	10,398	(10,398)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>6,817,244</b>	<b>(4,484)</b>	<b>6,812,760</b>
<b>EXPENSES</b>			
Educational services	4,576,242	-	4,576,242
General and administrative services	784,872	-	784,872
Fundraising	58,440	-	58,440
<b>TOTAL EXPENSES</b>	<b>5,419,554</b>	<b>-</b>	<b>5,419,554</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,397,690</b>	<b>(4,484)</b>	<b>1,393,206</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,401,957</b>	<b>6,833</b>	<b>3,408,790</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,799,647</b>	<b>\$ 2,349</b>	<b>\$ 4,801,996</b>

See Independent Auditors' Report and Accompanying Notes

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS**

<i>For the Years Ended June 30,</i>	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,393,206	\$ 1,813,998
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	316,356	46,419
Decrease (increase) in assets		
Grants and accounts receivable	29,491	(50,701)
Prepaid expenses	6,552	(23,496)
Security deposits	3,788	42,817
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	(1,283,736)	1,340,600
Accrued salaries and expenses	23,916	107,037
Deferred revenue	297,515	(152,834)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>787,088</b>	<b>3,123,840</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(4,159,490)	(10,359,202)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4,159,490)</b>	<b>(10,359,202)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan borrowings, net	5,413,583	7,571,099
Loan costs	(147,838)	(220,251)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>5,265,745</b>	<b>7,350,848</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,893,343</b>	<b>115,486</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,628,285</b>	<b>1,512,799</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,521,628</b>	<b>\$ 1,628,285</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 503,080	\$ -

*See Independent Auditors' Report and Accompanying Notes*

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

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**NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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.

**Basis of  
Presentation**

Financial statement presentation follows Financial Accounting Standards Board Accounting Standards Codification Topic 958 Not-for-Profit Entities. In accordance with the topic, 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. Yu Ying had no permanently restricted net assets during the years ended June 30, 2012 and 2011.

**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.

**Cash and Cash  
Equivalents**

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

**Property and  
Equipment**

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

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE A- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of  
Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Income Taxes**

Yu Ying qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, Yu Ying is classified as an entity that is not a private foundation under Section 509(a)(1).

Yu Ying has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic (Topic 740) of the FASB Accounting Standards Codification. Topic 740 requires Yu Ying to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in Yu Ying recording a tax liability that would reduce its net assets

Yu Ying has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2008-2010), or expected to be taken in its 2011 tax return. Yu Ying is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**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. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

**Loan Acquisition  
Fees**

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



**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

<b>Grants</b>	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.
<b>Deferred Revenues</b>	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.
<b>Functional Expenses</b>	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.
<b>Comparative Information</b>	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, 2011, from which the summarized information was derived.

**NOTE B - PROGRAM AND SUPPORTING SERVICES**

<b>Basic Programs</b>	<p>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."</p> <p>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.</p>
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**WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
June 30, 2012 and 2011**

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**NOTE B- PROGRAM AND SUPPORTING SERVICES (continued)**

**Basic Programs  
(continued)**

Yu Ying had a successful enrollment process in Spring 2012. Demand for this innovative program resulted in approximately 600 applications for 41 spots for the 2012-13 school year. Consequently, Yu Ying is expecting to welcome close to 440 students in the upcoming school year.

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

- 48% African American
- 32% Caucasian
- 20% Asian

Included within the above breakdown there is a Hispanic student population of 6%.

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

- For 2011-12 in the school's second year of completing standardized tests, Yu Ying's 3rd and 4th graders achieved passing rates of 72% in reading and 62% in math in their DCCAS - an increase from the previous year.
- Yu Ying's campus includes a 40,000 square foot facility on 3 acres. The school financed the purchase of this building in 2011 and added a number of amenities in 2012, including a large nature center and a Chinese/English library.
- Yu Ying achieved 6 of 6 targets on the PCSB annual accountability plan.
- In 2012, Yu Ying was awarded a dissemination grant of \$200,000 to help D.C. Public Schools develop their Chinese language programs.
- The school has also received a great deal of local, national, and international press in the past years: New York Times, Singapore Straits Times, Phoenix TV in China, Kojo Nnamid Show, *All Things Considered*, Voice of America, and the City Paper. In addition, D.C.'s Mayor Gray visited the school for a Chinese lesson before his trip to China.

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE C - 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.

**NOTE D - FIXED ASSETS**

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

<b>Description</b>	<b>2012</b>	<b>2011</b>
Land	\$ 3,070,000	\$ 3,070,000
Building	11,250,637	4,065,976
Furniture and equipment	233,561	152,909
Computer Equipment	89,768	72,919
	<b>14,643,966</b>	7,361,804
Less allowance for depreciation	<b>(371,744)</b>	(75,572)
Property and Equipment, net	<b>14,272,222</b>	7,286,232
Construction in progress	-	3,033,133
Capitalized interest during construction period	-	89,540
<b>Property and Equipment, net</b>	<b>\$ 14,272,222</b>	<b>\$ 10,408,905</b>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$296,172 and \$42,195, respectively.

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE E - UNAMORTIZED LOAN COSTS**

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

<b>Description</b>	<b>2012</b>	<b>2011</b>
Loan costs	\$ 368,089	\$ 220,251
Less allowance for amortization	(24,408)	(4,224)
<b>Loan Costs, Net</b>	<b>\$ 343,681</b>	<b>\$ 216,027</b>

Loan costs are amortized over the lives of the loans. Amortization expense for the years ended June 30, 2012 and 2011 was \$20,184 and \$4,224, respectively.

**NOTE F - 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. In addition to the financing obtained, Yu Ying made an equity contribution in the amount of \$1,111,278.

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. In the year ended June 30, 2012, the Eagle Loan was converted to DC Revenue bonds (Bonds) and closed on February 23, 2012. The Bonds mature March 1, 2037.

The Eagle Loan was based on a floating rate of Prime as published in the Wall Street Journal, with a floor of 6%. Upon conversion to the tax exempt Bonds, the interest rate is fixed for five-year periods (Bond Rate Periods). The initial rate for the Bond Rate Period commencing on issuance and ending March 1, 2017 is 4.00% per annum. The interest rate for subsequent Bond Rate Periods will be the greater of the five year average monthly Treasury Constant for the month preceding the month immediately prior to the commencement of such subsequent Bond Rate Period plus 4.25% times one minus the Bank Tax Rate (rounded to the next highest one-eighth of one percent ) or, 4.00% per annum.

Repayment of the Eagle Loan was interest only for 18 months, with monthly principal and interest payments due on conversion to Bonds. The first two years of the principal and interest payments for the Bonds are based on a 25-year amortization, with the amortization changing to 20 years at the beginning of year three. The first principal and interest payment for the Bonds was due April 1, 2012. The payment will increase with the change to the 20-year amortization with the payment due April 1, 2014.

*See Independent Auditors' Report*

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE F - LONG TERM DEBT (continued)**

The Eagle Loan and replacement Bonds are collateralized by the real estate, Yu Ying's per pupil facility allowance, and all future unrestricted philanthropic pledges. Yu Ying is required to maintain certain covenants, which have been successfully maintained for the year ended June 30, 2012.

The CSDC loan is at a fixed rate of interest of 6.5% per annum. Interest payments are to be made monthly and potential accelerated principal payments, based on a formula of net cash flow, are to be made annually on a pro-rata basis with the OPCSFS loan. Notwithstanding, the loan is due and payable in full on April 1, 2017 per modification agreement as part of the Bond closing in February 2012. 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, with principal and interest payments due beginning monthly based on a 20-year amortization. Similar to the CSDC loan, the OPCSFS loan is due and payable in full on April 1, 2017 per modification agreement as part of the Bond closing in February 2012. 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, 2012:

<b>Description</b>	<b>Amount</b>
District of Columbia Bonds	\$ 10,195,606
Charter Schools Development Corporation	800,000
Public Charter School Financing and Support	1,989,076
<b>Total</b>	<b>12,984,682</b>
Less: current portion	(551,709)
<b>Total long-term debt</b>	<b>\$ 12,432,973</b>

*See Independent Auditors' Report*

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE F - LONG TERM DEBT (continued)**

Aggregate annual maturities of the notes payable are as follows for the years ending June 30:

<b>Year Ending</b>	<b>Amount</b>
2013	\$ 525,720
2014	346,832
2015	407,212
2016	422,964
2017	2,603,518
Thereafter	8,678,436
<b>Total</b>	<b>\$ 12,984,682</b>

Certain loan payments which are based on a formula of future cash flows could not be calculated by year and have been recorded in the thereafter amount.

**NOTE G - TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2012, temporarily restricted net assets were available for specific school programs.

**NOTE H - DONATED SERVICES AND MATERIALS**

Yu Ying received \$125,190 of pro-bono legal services, \$36,000 of donated services for the development of the outdoor Nature Center, and \$980 of donated goods for the year ended June 30, 2012. Yu Ying received \$400,078 of mainly pro-bono legal services and \$50,719 of donated materials for the Gala recorded in the financial statements for the year ended June 30, 2011. 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.

**NOTE I - 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.

**NOTE J - 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, 2012 and 2011 was \$26,812 and \$23,488, respectively.

*See Independent Auditors' Report*

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**June 30, 2012 and 2011**

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**NOTE K - 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, 2012 and 2011, 79% and 56% of total support was provided by per-pupil funding.

**NOTE L - AVERAGE COST PER STUDENT**

For the years ended June 30, 2012 and 2011 the average cost per student was \$15,618 and \$17,976, respectively. This is calculated by dividing total noncapital expenditures, by the School's full-time student enrollment.

**NOTE M - SUBSEQUENT EVENTS**

In accordance with FASB ASC 855, Yu Ying evaluated subsequent events through the date of the financial statements, which is 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, 2012

	Program	Management	Fundraising	2012	2011
<b>Personnel, Salaries and Benefits</b>					
Salaries	\$ 2,466,582	\$ 268,044	\$ 28,149	\$ 2,762,775	\$ 2,144,180
Employee benefits	151,555	16,469	1,730	169,754	142,245
Payroll taxes	200,068	21,741	2,283	224,092	175,579
Professional development	33,924	3,687	387	37,998	40,101
Other staff-related expense	29,034	3,155	331	32,520	38,840
<b>Total Personnel Costs</b>	<b>2,881,163</b>	<b>313,096</b>	<b>32,880</b>	<b>3,227,139</b>	<b>2,540,945</b>
<b>Direct student costs</b>					
Supplies, materials, snacks	108,820			108,820	98,191
Fieldwork and other transportation	32,520			32,520	25,497
Contracted instruction fees	194,412			194,412	139,117
Textbooks	24,945			24,945	14,365
Student assessments	5,317			5,317	3,546
Student food service program	96,200			96,200	69,429
Other student costs	32,801			32,801	20,928
<b>Total direct student costs</b>	<b>495,015</b>	<b>-</b>	<b>-</b>	<b>495,015</b>	<b>371,073</b>
<b>Occupancy Expense</b>					
Rent	39,973	4,344	456	44,773	500,019
Maintenance and repairs	11,266	1,224	129	12,619	187
Utilities and garbage removal	69,469	7,549	793	77,811	52,095
Contracted building services	127,535	13,859	1,455	142,849	45,513
Facilities consulting services	-			-	17,424
Janitorial supplies	18,598	2,021	212	20,831	9,167
Depreciation - facilities	200,234	48,809	5,126	254,169	4,224
Interest payments	475,831	24,659	2,590	503,080	-
<b>Total occupancy expense</b>	<b>942,906</b>	<b>102,465</b>	<b>10,761</b>	<b>1,056,132</b>	<b>628,629</b>
<b>Office Expense</b>					
Office supplies	26,654	2,896	304	29,854	16,737
Office expense and equipment rental	14,206	1,544	162	15,912	11,479
Telephone	11,463	1,246	131	12,840	5,645
Postage	2,268	246	26	2,540	2,206
Printing and copying	33,089	3,596	378	37,063	9,066
Computer support expenses	17,683	1,922	202	19,807	26,889
<b>Total Office Expense</b>	<b>105,363</b>	<b>11,450</b>	<b>1,203</b>	<b>118,016</b>	<b>72,022</b>
<b>General Expense</b>					
Insurance	29,670	3,224	339	33,233	18,492
Authorizer fees	-	28,211		28,211	16,987
Accounting, auditing and payroll	-	100,266		100,266	91,219
Legal fees	16,852	3,665		20,517	-
Other professional and fundraising fees	53,198	11,910	12,495	77,603	82,792
Dues, fees, and fines	1,820	26,075	149	28,044	13,625
Other general expense	5,399	5,009	613	11,021	3,553
Donated services	-	161,190		161,190	400,078
Donated materials	-	980		980	50,719
Depreciation - operating assets	44,856	17,331		62,187	42,195
<b>Total General Expense</b>	<b>151,795</b>	<b>357,861</b>	<b>13,596</b>	<b>523,252</b>	<b>719,660</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 4,576,242</b>	<b>\$ 784,872</b>	<b>\$ 58,440</b>	<b>\$ 5,419,554</b>	<b>\$ 4,332,328</b>



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) (the School) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 2012. 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

Management of the School is responsible for establishing and maintaining effective 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.

Washington, DC  
October 22, 2012

A handwritten signature in black ink, reading "M. George Brennan LLP". The signature is written in a cursive, flowing style with a large, stylized "M" and "B".

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, 2012. 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, 2012.

### 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.

*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

We have audited the financial statements of the School as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 2012, which contained an unqualified opinion on those financial statements. 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.

Washington, DC  
October 22, 2012

A handwritten signature in black ink, reading "J. Quade Brenner, LLP". The signature is written in a cursive, flowing style.

**WASHINGTON YU YING PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U. S. Department of Education:</b>		
Special Education Cluster (IDEA)		
IDEA 611 – Special Education Grants To Local Education Agencies	84.027A	\$ 43,068
IDEA 619 – Special Education Preschool Grants to Local Education Agencies	84.173A	29
Total Special Education Cluster (IDEA)		43,097
Title II, Part A – Improving Teacher Quality State Grants	84.367A	20,959
Foreign Language Assistance Program	84.293B	334,571
<b>Sub-total Department of Education</b>		<b>398,627</b>
<b>Department of Agriculture – Food and Nutrition Service:</b>		
Child Nutrition Cluster		
National School Lunch Program	10.555	50,836
National School Breakfast Program	10.553	2,149
Total Child Nutrition Cluster		52,985
<b>Sub-total Department of Agriculture</b>		<b>52,985</b>
<b>Congressional Appropriations:</b>		
Education Pioneers	N/A	250
Public Charter School Facilities Funding Grant	N/A	71,767
<b>Sub-total Congressional Appropriations</b>		<b>72,017</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 523,629</b>

**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, 2012**

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  
reported

\_\_\_yes      Xnone

Noncompliance material to financial statements noted

\_\_\_yes      Xno

*Federal Awards*

Internal control over major programs:

Material weaknesses identified

\_\_\_yes      Xno

Significant deficiencies identified that are  
not considered to be material weaknesses  
reported

\_\_\_yes      Xnone

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

84.293B

Foreign Language Assistance Program

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

\$300,000

Auditee qualified as low-risk auditee?

Xyes      \_\_\_no