

**CentroNía, Inc.**

FINANCIAL STATEMENTS AND SCHEDULES  
IN ACCORDANCE WITH OMB CIRCULAR A-133

With Reports of Independent Auditors

For the Year Ended June 30, 2015



**Walker & Co., LLP**

*Assurance, Business and Advisory Services*

# CentroNía, Inc.

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Walker & Co., LLP  
*Assurance, Business and Advisory Services*

## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
CentroNía, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CentroNía, Inc. (“CentroNía”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CentroNia, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

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. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016 on our consideration of CentroNia'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* in considering CentroNia's internal control over financial reporting and compliance.

*Walker & Co., LLP*

Washington D.C.  
March 2, 2016

**CENTRONIA INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2015

**ASSETS**

**Current Assets**

Cash	\$ 79,000
Grants and contracts receivable	1,036,371
Accounts receivable	292,741
<b>Total current assets</b>	<u>1,408,112</u>

Property and equipment, net	5,305,386
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**Other Assets**

Intangible assets, net of accumulated amortization of \$68,799	32,972
Capitalized loan costs, net of accumulated amortization of \$72,810	159,982
Security deposit	52,520
<b>Total Assets</b>	<u><u>\$ 6,958,972</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 905,757
Accrued payroll and related liabilities	453,075
Deferred revenue	45,451
Short-term loan	228,573
Accrued taxes payable	385,245
Loan and bond payable, current portion	128,634
<b>Total current liabilities</b>	<u>2,146,735</u>

**Long-term Liabilities**

Bond payable, net of current portion	2,305,095
Loan payable, DHCD	1,898,472
	<u>4,203,567</u>
<b>Total liabilities</b>	<u>6,350,302</u>

**Net Assets**

Unrestricted	396,960
Temporarily restricted	211,710
<b>Total net assets</b>	<u>608,670</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 6,958,972</u></u>

See notes to financial statements.

**CentroNía, Inc.**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Government grants and contract revenue	\$ 8,486,408	\$ -	\$ 8,486,408
Grants and contributions	628,886	211,710	840,596
Parents' fees	1,001,763	-	1,001,763
Rental income	1,613,952	-	1,613,952
Management fee	1,075,770	-	1,075,770
Other revenue	101,900	-	101,900
Net assets released from donor restrictions	257,648	(257,648)	-
<b>Total Support and Revenue</b>	<b>13,166,327</b>	<b>(45,938)</b>	<b>13,120,389</b>
 <b>EXPENSES</b>			
Program services	11,275,186	-	11,275,186
General and administrative	2,249,744	-	2,249,744
Fundraising	203,941	-	203,941
<b>Total Expenses</b>	<b>13,728,871</b>	<b>-</b>	<b>13,728,871</b>
 <b>CHANGES IN NET ASSETS</b>			
	(562,544)	(45,938)	(608,482)
NET ASSETS, Beginning of Year, before prior period adjustment	1,124,377	257,648	1,382,025
Prior period adjustment	(164,873)	-	(164,873)
NET ASSETS, Beginning of Year, after prior period adjustment	959,504	257,648	1,217,152
<b>NET ASSETS, End of Year</b>	<b>\$ 396,960</b>	<b>\$ 211,710</b>	<b>\$ 608,670</b>

See notes to financial statements.

**CentroNía, Inc.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2015

**CASH FLOW FROM OPERATING ACTIVITIES**

Changes in net assets	\$ (608,482)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	486,767
Amortization of intangible assets	7,269
Amortization of capitalized loan costs	9,717
Change in grants and contracts receivable	120,846
Change in accounts receivable	(42,661)
Change in prepaid expenses	1,210
Change in security deposit	17,715
Change in accounts payable	206,604
Change in accrued payroll and related liabilities	46,728
Change in deferred revenue	(20,472)
Change in other liabilities	(146,555)
Change in accrued taxes payable	38,183
<b>Net Cash Provided by Operating Activities</b>	<u>116,869</u>

**CASH FLOW FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(218,835)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(218,835)</u>

**CASH FLOW FROM FINANCING ACTIVITIES**

Net change in line of credit	(70,959)
Payments on bond and loans	<u>(140,775)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(211,734)</u>

<b>Net Change in Cash</b>	(313,700)
<b>CASH, Beginning of Year</b>	<u>392,700</u>
<b>CASH, End of Year</b>	<u>\$ 79,000</u>

**SUPPLEMENTAL DISCLOSURE OF  
CASH FLOW INFORMATION**

Interest paid	<u>\$ 128,318</u>
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See notes to financial statements.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS**

CentroNía, Inc. (“CentroNía”) was formally incorporated as a nonprofit organization in June of 1991. The primary purpose of CentroNía is to promote the physical, social, emotional, cognitive, and cultural growth and development of children in a bilingual environment. CentroNía’s programs include child development and childcare programs, before and after school care, summer camp, academic support, arts enrichment and family support services. CentroNía receives the majority of its support and revenue from the federal and District of Columbia governments, contributions and grants from private foundations.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies utilized in the preparation of the financial statements is as follows:

*Basis of accounting*

CentroNía prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, revenue is recognized when earned and expenses and related liabilities recorded when the obligations are incurred. Revenue from government contracts is recognized as related expenses are incurred.

*Basis of presentation*

CentroNía’s financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 958-205 *Presentation of financial statements of Not-for-Profit Entities*.

Under FASB ASC No. 958-205, CentroNía is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

CentroNía does not have permanently restricted net assets.

*Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, gains, expenses and losses during the reporting period. Actual results could differ from those estimates.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fair value of financial instruments*

The carrying amount of cash and cash equivalents, grants, contracts and accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments.

*Cash*

Cash consists of balances in the bank and petty cash. At times during the year, CentroNía maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

*Receivables*

Receivables balances are recorded at net realizable value and approximate fair value. It is CentroNía's policy to write off uncollectible amounts when management determines such balances to be uncollectible.

*Property and equipment*

Equipment is recorded at cost when purchased or its estimated value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the related assets, generally five years. CentroNía's capitalization policy is \$1,000.

CentroNía's building is recorded at its appraised value when donated in 1995 plus capitalized cost of improvement to the building to completely renovate it. Depreciation is computed on a straight-line basis over the estimated useful life of the building, generally thirty-nine years. The cost of maintenance and repairs is recorded as expenses are incurred.

*Intangible assets*

Intangible assets consist of costs associated with CentroNía's name change during 2004. The asset is being amortized over fifteen years.

*Capitalized loan costs*

Capitalized loan costs consist of costs associated with the issuance of revenue bonds. These costs are being amortized over the life of the bonds (twenty-five years).

*Accounts payable and accrued expenses*

Accounts payable are amounts due to vendors relating to purchase of goods and services on or before the year end.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Grants and contributions*

Grants and contributions are recorded when awarded or pledged and classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any grantor or donor restrictions. When a grantor or donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions in the accompanying financial statements.

*In-kind contributions*

As required by FASB ASC 958-605-50-1, *Contributed Services*, donated services which create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation are recorded at fair value in the period provided.

*Government grants and contracts*

CentroNía receives funding under grants and contracts from the federal government, the District of Columbia and State of Maryland agencies for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants and contracts are considered exchange transactions and are recorded as unrestricted revenue to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant and contract agreements.

*Program service and management fees*

Parents' fees are recognized when billed, coinciding with the period students are enrolled in CentroNía. Management fees are recorded as earned.

*Net asset classification*

CentroNía's net assets are reported in the following two self-balancing groups:

**Unrestricted net assets** include unrestricted revenue and contributions received without donor- imposed restrictions. These net assets are available for the operation of CentroNía and include both internally designated and undesignated resources.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Net asset classification (continued)*

**Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of CentroNía and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

*Functional allocation of expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management.

*Subsequent events*

In preparing these financial statements, CentroNía has evaluated events and transactions for potential recognition or disclosure through March 2, 2016, the date the financial statements were available to be issued.

**NOTE 3      INCOME TAXES**

CentroNía received from the Internal Revenue Service (IRS) a determination letter exempting CentroNía from federal income taxes and applicable District of Columbia income tax laws and regulations under Section 501(c)(3) of the Internal Revenue Code (the Code). CentroNía is classified by the IRS as a public charity under Section 509(a) (2) of the Code.

CentroNía generates income from rental of its property that is not directly related to CentroNía's tax-exempt purpose. The rental income is subject to taxation on unrelated business income. The provision for income tax on this income was estimated at \$18,000 for the year ended June 30, 2015.

**NOTE 4      UNCERTAIN TAX POSITION**

For the year ended June 30, 2015, CentroNía has considered FASB ASC 740-10, *Income Taxes*, and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. CentroNía's Federal Form 990, *Return of Organization Exempt from Income Tax*, is no longer subject to examination from federal, state, and local taxing authorities for years prior to 2013.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 5      PROPERTY AND EQUIPMENT**

CentroNía's main headquarters are located at 1420 Columbia Road, N.W., in Washington, D.C. The building and land were donated in 1995, with an appraised value of \$1,600,000. CentroNía has made cumulative capitalized improvements to the building totaling \$8,078,683. Property and equipment consisted of the following at June 30, 2015:

Land, buildings and improvements	\$ 9,888,182
Computers and equipment	1,248,866
Vehicles	<u>120,401</u>
Total	11,257,449
Less: Accumulated depreciation	<u>(5,952,063)</u>
Property and equipment, net	\$ <u>5,305,386</u>

Depreciation expense totaled \$486,767 for year ended June 30, 2015.

**NOTE 6      OTHER ASSETS**

*Intangible assets and capitalized loan costs*

Amortization expense on intangible assets and capitalized loan costs totaled \$7,269 and \$9,717, respectively, for the year ended June 30, 2015

**NOTE 7      SHORT-TERM LOAN**

CentroNía initially entered into a line of credit arrangement with a financial institution to facilitate cash management during periods of slow cash inflows. On June 5, 2015, the credit facility was converted to a \$300,000 short-term loan which matures in one year. Interest charged on the outstanding loan balance is fixed at 6% and repayment of principal and interest are due monthly.

The outstanding balance on the line of credit facility was \$228,573 at June 30, 2015. The loan subsequently matured on February 17, 2016.

**NOTE 8      LONG TERM LIABILITIES**

*Loan Payable*

CentroNía obtained a \$50,000 loan from a financial institution which matured on August 2015. Interest was at 6% and the balance at June 30, 2015 of \$2,862 is included in the loan and bond payable current portion.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 8      LONG TERM LIABILITIES (Continued)**

*Bond payable*

CentroNía issued \$3,500,000 of District of Columbia revenue bonds which were purchased by United Bank. The bonds mature in September 2029 and bore a fixed interest rate which became adjustable after the first 65 months. The interest rate for the year ended June 30, 2015, was 4.25%. The bonds are secured by a deed of trust on CentroNía's land and building. Monthly payments on the note which includes interest equal \$19,102.

All costs associated with this debt including issuance costs, but excluding certain fees, have been capitalized for amortization over the life of the Bond. The bond issuance costs balance was \$159,982 at June 30, 2015.

The bond agreement contains certain financial covenants which are evaluated annually.

*Loan payable -District of Columbia Department of Housing and Community Development (DC DHCD)*

CentroNía obtained a construction loan in 1999 from DC DHCD to finance construction costs of the second phase renovation of CentroNía's building. The loan bears interest at a rate of 3% and matures in February of 2031. This loan is subordinate to the United Bank loan and is also secured by the land and building.

CentroNía has not paid principal or accrued interest on this note and believes that the loan is convertible into a grant, pending approval of such action. No liability has been recorded for interest payable.

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**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 8 LONG TERM LIABILITIES (Continued)**

Future maturities and outstanding balances of the loans and bond payable which approximate fair value are as follows:

Year Ended June 30:	Bond	City First	DHCD	Total
2016	\$ 125,771	\$ 2,863	\$ -	\$ 128,634
2017	131,595	-	-	131,595
2018	137,393	-	-	137,393
2019	143,446	-	-	143,446
2020	149,549	-	-	149,549
Thereafter	<u>1,743,111</u>	<u>-</u>	<u>1,898,472</u>	<u>3,641,583</u>
Total	2,430,865	2,863	1,898,472	4,332,200
Less: Current portion	<u>125,771</u>	<u>2,863</u>	<u>-</u>	<u>128,634</u>
Long-term portion, net	<u>\$ 2,305,094</u>	<u>\$ -</u>	<u>\$ 1,898,472</u>	<u>\$ 4,203,566</u>

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2015:

School age/community schools	\$ 5,000
Family Center	9,375
CentroNía Institute	62,335
Early Childhood Education	52,500
General operations	<u>82,500</u>
Total	<u>\$ 211,710</u>

**NOTE 10 RENTAL INCOME**

CentroNía has agreements with three for-profit tenants to lease space on the third floor of CentroNía's building. One of the agreements provided for renewal options for three additional five-year renewal terms, at 95% of the prevailing market rent. The tenant exercised the second renewal term effective May 1, 2013. Monthly payment on the second renewal term is \$45,162 for the first year with a 2.5% increase over the rate in the preceding lease year. This lease also includes parking spaces for additional rent and payment of District of Columbia real estate taxes applicable to the leased space.

On October 2009, CentroNía renewed its lease agreement with the District of Columbia Bilingual Public Charter School (DC Bilingual) for a period of five years.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 10 RENTAL INCOME (Continued)**

The lease, which was not renewed upon its expiration on September 30, 2014, reverted to a month to month arrangement which called for a fifty percent increase in payments as per the lease agreement. DC Bilingual no longer leases space at CentroNia effective June 30, 2015. DC Bilingual was a related party as described in Note 12.

CentroNía also leased space in 2015 to a local not-for-profit organization at a monthly rental income of \$3,500.

Future minimum lease rental receipts are as follows:

Year ended June 30:	
2016	671,024
2017	647,541
2018	656,048
2019	<u>57,840</u>
Total	<u>\$ 2,032,453</u>

Rental income totaled \$1,613,952, for the year ended June 30, 2015.

**NOTE 11 LEASE COMMITMENTS**

In addition to the main facility owned by CentroNía, it leases additional space at five separate locations. The leases have various terms, with the latest lease expiring in July 2018. The monthly rental under these leases approximates \$76,000. Rent expense totaled \$959,679, for the year ended June 30, 2015, including property taxes and additional lease operating expenses.

Future minimum lease payments are as follows:

Year ended June 30:	
2016	\$ 691,470
2017	299,580
2018	306,883
2019	<u>14,342</u>
Total	<u>\$ 1,312,275</u>

**NOTE 12 RELATED PARTY TRANSACTIONS**

During 2004, CentroNía established the District of Columbia Bilingual Public Charter School and provided management services to the School. In addition, personnel costs of DC Bilingual were paid through CentroNía and reimbursed accordingly.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 12 RELATED PARTY TRANSACTIONS (Continued)**

During the year ended June 30, 2015, CentroNía charged DC Bilingual \$1,075,770 for management services. CentroNía also leased space to and on behalf of DC Bilingual (See Note 10).

Subsequent to year end, CentroNía and DC Bilingual terminated the management agreement. Amounts due to and from the School were subsequently written off as per the settlement agreement.

**NOTE 13 DONATED SERVICES**

During 2015, CentroNía recorded donated contributions totaling \$107,141 for legal and other professional services. Other donated services were provided as medical, dental and special education services to students as well as training and workshops to parents and staff. These services are recorded as contributions with a corresponding expense in the statements of activities in accordance with FASB ASC No. 958-605-50-1.

**NOTE 14 PENSION PLAN**

CentroNía has a defined contribution plan under section 401(k) of the IRS Code (the Plan), under which all employees, including part-time employees working at least twenty hours per week are eligible to participate. CentroNía did not make any contributions to the plan during the year ended June 30, 2015.

**NOTE 15 COMMITMENTS**

*Real estate tax*

CentroNía received a corrected tax bill for real estate taxes which totaled \$349,091 for tax years 2008 through 2015 including penalties and interest totaling \$130,975. CentroNía recorded \$32,119 for real estate taxes for the 2015 tax year and a prior period adjustment for the additional amount reported on the tax bill (see Note 16).

*Government grants and contracts*

CentroNía has been awarded several grants and contracts from various agencies of the United States Government and local governments. Such grants and contracts are subject to audit under the provisions of OMB Circular A-133 and other compliance audits.

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of audits.

**CentroNía, Inc.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**NOTE 15      COMMITMENTS (Continued)**

The audit in accordance with the provisions of OMB Circular A-133 has been performed for the year ended June 30, 2015 with no findings for disallowed costs. However, until any other may be conducted are accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Costs charged under cost-reimbursable District grants and contracts are also subject to compliance audit. Therefore, all such costs are subject to adjustment.

**NOTE 16      PRIOR PERIOD ADJUSTMENT**

In fiscal 2015, CentroNía received a corrected tax bill of \$349,091 from the DC Office of Tax and Revenue for property taxes including penalties and interest for tax years 2008 through 2015. CentroNía recorded \$32,199 of taxes for fiscal 2015 and a prior period adjustment of \$164,873 to properly accrue corrected taxes for the years assessed. The effect of this adjustment was an increase to accrued real estate taxes of \$197,062 and a decrease to beginning net assets of \$164,873.

**NOTE 17      SUBSEQUENT EVENT**

CentroNía is in the process of finalizing the sale and leaseback of its building. The contract of sale would include the satisfaction of all recorded obligations against the building.

SUPPLEMENTAL INFORMATION

**CentroNía, Inc.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 6,738,204	\$ 1,063,249	\$ 161,467	\$ 7,962,920
Payroll taxes and benefits	878,597	278,678	16,407	1,173,682
Total personnel costs	7,616,801	1,341,927	177,874	9,136,602
Consultants and substitutes and stipends	387,478	29,317	-	416,795
Temporary help	24,261	56,170	-	80,431
Supplies and small equipment	291,354	26,007	150	317,511
Office supplies	58,737	14,176	263	73,176
Travel and transportation	46,136	3,584	494	50,214
Postage and printing	7,139	17,202	441	24,782
Equipment rental and maintenance	36,463	3,812	-	40,275
Professional fees	7,889	268,483	17,732	294,104
Staff training	92,959	15,765	1,804	110,528
Insurance	64,177	14,541	-	78,718
Food expenses	321,195	3,093	-	324,288
Telephone and internet services	46,925	51,102	-	98,027
Repairs and maintenance	336,220	57,933	-	394,153
Utilities	180,212	28,551	-	208,763
Rent	959,679	-	-	959,679
Interest	-	128,318	-	128,318
Depreciation and amortization	453,696	50,057	-	503,753
Real estate tax	32,199	-	-	32,199
Bank fees	671	25,287	-	25,958
In-kind expenses	72,589	34,552	-	107,141
Bad debts	85,885	-	-	85,885
Scholarships	21,585	-	1,275	22,860
Equipment purchases	49,341	-	-	49,341
Unrelated business income tax	-	18,000	-	18,000
Parents training, meetings and events	29,635	10,100	-	39,735
Other	51,960	51,767	3,908	107,635
	<u>\$ 11,275,186</u>	<u>\$ 2,249,744</u>	<u>\$ 203,941</u>	<u>\$ 13,728,871</u>

SINGLE AUDIT

**CentroNía, Inc.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
<i>Passed-through from the District of Columbia Office of the State Superintendent of Education</i>			
Child Care and Development Block Grant	93.575	536001131	\$ 188,304
Early Childhood Education Literacy	93.575		<u>138,178</u>
<b>Total CCDF Cluster</b>			<u>326,482</u>
<i>Direct Awards</i>			
Head Start	93.600		<u>1,568,344</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,894,826</u>
<b>U.S. Department of Agriculture</b>			
<i>Passed-through from the District of Columbia Office of the State Superintendent of Education</i>			
Child and Adult Care Food Program	10.558	536001131	280,530
<i>Passed-through from Maryland State Department of Education</i>			
Child and Adult Care Food Program	10.558		<u>96,482</u>
<b>Total Department of Agriculture</b>			<u>377,012</u>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed-through from District of Columbia Department of Housing and Community Development</i>			
<b>Loan balance outstanding</b>	DC-DHCD 97-		<u>1,898,472</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,170,310</u>

The accompanying notes are an integral part of this schedule.

**CentroNía, Inc.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2015

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CentroNía and is presented on the accrual basis of accounting as described in Note 2 of CentroNía's basic financial statements. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of, the basic financial statements.

OMB Circular A-133 requires that the Schedule reflect total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA).

**NOTE 2 FEDERAL ENTITLEMENTS**

The following is a description of the federal programs for the six month period ended June 30, 2015:

*Child Care and Development Fund Cluster (CFDA 93.575)*

The Child Care and Development Fund (CCDF) provides funds that are used to subsidize child care for low-income families where the parents are working or attending educational programs, as well as for activities to promote overall child care quality for all children. It is required that all Federal child care funds be spent in accordance with the provisions of the amended Child Care and Development Block Grant program. In order to receive funds, a plan must be submitted which is effective for a two-year period. CentroNía may operate the CCDF program under a consolidated Pub. L. No.102-477 demonstration project, the purpose of which is to provide for the integration of employment, training, and related services to improve the effectiveness of those services.

*Head Start (CFDA 93.600)*

The objectives of the Head Start and Early Head Start (collectively referred to as Head Start) programs are to promote school readiness by enhancing children's cognitive social and emotional development. Head Start and Early Head Start together serve pregnant women and children (birth to 5) and their families, who are under the poverty line or are eligible for public assistance, including federally recognized Indian tribes, Alaska Natives, migrant and seasonal farm workers, homeless children or children in foster care, and children with disabilities.

**CentroNía, Inc.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2015

**NOTE 2 FEDERAL ENTITLEMENTS (Continued)**

*Head Start (CFDA 93.600)(continued)*

Comprehensive services are provided to enrolled children, pregnant women and their families, which include health, nutrition, social, and other services determined to be necessary by family needs assessments, in addition to education and cognitive development services. Services are designed to be responsive to each child and family's ethnic, cultural, and linguistic heritage.

*Child and Adult Care Food Program (CFDA 10.558)*

Child and Adult Care Food Program assists States, through grants-in-aid and donated foods, to initiate and maintain non-profit food service programs for eligible children and adults in nonresidential day care settings.



Walker & Co., LLP  
*Assurance, Business and Advisory Services*

**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**

Independent Auditor's Report

Board of Directors  
CentroNía, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CentroNía, Inc. ("CentroNía") a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CentroNía's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CentroNía's internal control. Accordingly, we do not express an opinion on the effectiveness of CentroNía's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CentroNía's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CentroNía's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Walker & Co., LLP*

Washington, D.C.  
March 2, 2016



Walker & Co., LLP  
*Assurance, Business and Advisory Services*

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

Independent Auditor's Report

Board of Directors  
CentroNía, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited CentroNía, Inc.'s (CentroNía) 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 CentroNía's major federal programs for the year ended June 30, 2015. CentroNía's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CentroNía's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 CentroNía'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 on compliance for each major federal program. However, our audit does not provide a legal determination of CentroNía's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, CentroNía complied, in all material respects, with the types of 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, 2015.

### **Report on Internal Control over Compliance**

Management of CentroNía is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CentroNía's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 CentroNía'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Walker & Co., LLP*

Washington, D.C.  
March 2, 2016

**CentroNía, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2015

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None identified
Noncompliance material to financial statements noted?	None noted

**Federal Awards**

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None identified
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

**Major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Cluster
DC DHCD 97-521	Department of Housing and Urban Development - Loan balance

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**CentroNía, Inc.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

**Section II – Financial Statement Findings**

None noted

**Section III- Findings and Questioned Costs- Major Federal Award Programs Audit**

None noted

**CentroNía, Inc.**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2015

None noted