



WASHINGTON STATE

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

TABLE OF CONTENTS
JUNE 30, 2016

<i>INDEPENDENT AUDITOR'S REPORT</i>	1
<i>FINANCIAL STATEMENTS</i>	
Combined Statement of Financial Position	4
Combined Statement of Activities and Changes in Net Assets	5
Combined Statement of Cash Flows	6
Notes to the Combined Financial Statements	7
<i>SUPPLEMENTARY INFORMATION</i>	
Regional Office Statement of Financial Position	17
Regional Office Statement of Activities and Changes in Net Assets	18
Regional Office Statement of Cash Flows	19
Destiny Middle School Statement of Financial Position	20
Destiny Middle School Statement of Activities and Changes in Net Assets	21
Destiny Middle School Statement of Cash Flows	22
Combining Statement of Financial Position	23
Combining Statement of Activities and Changes in Net Assets	24
Combining Statement of Cash Flows	25
<i>INDEPENDENT AUDITOR'S REPORTS</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	28
<i>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</i>	
Summary of Auditor's Results	31
Financial Statement Findings	32
Summary Schedule of Prior Audit Findings	33



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Green Dot Public Schools Washington State
(A Washington Nonprofit Public Benefit Corporation)
Tacoma, Washington

We have audited the accompanying combined financial statements of Green Dot Public Schools Washington State (GDPS WA) (A Washington Nonprofit Public Benefit Corporation), which are comprised of the Statement of Financial Position as of June 30, 2016, 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 combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Washington State Auditor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to GDPS WA's preparation and fair presentation of the combined 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 GDPS WA'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of GDPS WA as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the GDPS WA's 2015 combined financial statement report dated December 16, 2015, in which we expressed an unmodified opinion. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise GDPS WA's combined financial statements. The supplementary information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic combined financial statements.

The supplementary information as referenced in the previous paragraph is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements, or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined 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 January 9, 2017, on our consideration of GDPS WA'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 GDPS WA's 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 GDPS WA's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 9, 2017

FINANCIAL STATEMENTS

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2015)

JUNE 30, 2016

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,961,778	\$ 1,198,496
Accounts receivable	340,542	50,394
Accounts receivable - related party	-	62,262
Total Current Assets	<u>3,302,320</u>	<u>1,311,152</u>
Non-Current Assets:		
Security deposits	39,050	2,200
Total Non-Current Assets	<u>39,050</u>	<u>2,200</u>
Total Assets	<u>\$ 3,341,370</u>	<u>\$ 1,313,352</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 239,780	\$ 80,513
Accounts payable - related party	302,335	-
Deferred revenue	2,770,510	1,217,738
Total Current Liabilities	<u>3,312,625</u>	<u>1,298,251</u>
NET ASSETS		
Unrestricted	28,745	15,101
Total Net Assets	<u>28,745</u>	<u>15,101</u>
Total Liabilities and Net Assets	<u>\$ 3,341,370</u>	<u>\$ 1,313,352</u>

The accompanying notes are an integral part of these financial statements.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(With comparative financial information at June 30, 2015)

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
State apportionments	\$ 427,152	\$ -
Federal revenue	465,065	173,300
Contributions and grants	1,087,918	1,050,165
Local revenue	2,912,092	15,101
Total Revenues	4,892,227	1,238,566
EXPENSES		
Program services:		
Salaries and benefits	1,740,377	81,795
Student services	903,067	1,812
Materials and supplies	121,967	26,245
Other expenses	649,247	72,607
Occupancy	374,133	454
Subtotal	3,788,791	182,913
Management and general:		
Salaries and benefits	477,879	362,635
Occupancy	10,700	15,917
Operating expenses	151,213	187,000
Shared services and start-up fees - related party	450,000	475,000
Subtotal	1,089,792	1,040,552
Total Expenses	4,878,583	1,223,465
CHANGE IN UNRESTRICTED NET ASSETS	13,644	15,101
NET ASSETS, BEGINNING OF YEAR	15,101	-
NET ASSETS, END OF YEAR	\$ 28,745	\$ 15,101

The accompanying notes are an integral part of these financial statements.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change unrestricted in net assets	\$ 13,644	\$ 15,101
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(290,148)	(50,394)
Accounts receivable - related party	62,262	(62,262)
Cash received (paid) for security deposits - net	(36,850)	(2,200)
Increase (Decrease) in liabilities		
Accounts payable and accruals	159,267	80,513
Accounts payable - related party	302,335	-
Deferred revenue	1,552,772	1,217,738
Net Cash Provided by Operating Activities	<u>1,763,282</u>	<u>1,198,496</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,198,496</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,961,778</u>	<u>\$ 1,198,496</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - ORGANIZATION AND MISSION

Green Dot Public Schools Washington State (GDPS WA) (A Washington Nonprofit Public Benefit Corporation) was organized on November 14, 2013. Financial activity began on July 1, 2014. GDPS WA benefits from shared services provided by Green Dot Public Schools National (GDPS National). GDPS National represents a related party and transactions between GDPS WA and GDPS National have been identified on the face of the combined financial statements. See Note 2 for additional details regarding related party relationships and transactions.

During the fiscal year ended June 30, 2016, GDPS WA operated one charter, Destiny Charter Middle School (Destiny CMS). Destiny CMS operates under the authorization of the Washington State Charter School Commission. In September 2015, Washington State repealed the school status of charter schools throughout the state under a state lawsuit. Due to this event, Destiny CMS operated as an Alternative Learning Experience (ALE) through the Mary Walker School District from December 31, 2015, through the end of the fiscal 2016 school year. Destiny CMS received per-pupil funding to help support operations. In March 2016, the Washington State legislature passed a new bill reinstating charter schools. Destiny CMS began the fiscal 2017 school year as a charter school. GDPS WA plans to open other charter schools in the future.

GDPS WA was founded upon the simple idea that every child in every community deserves to go to a great school. GDPS WA's mission is to transform public education so all students graduate prepared for college, leadership and life. GDPS WA's academic model is designed to meet individual student needs and to provide students with a rigorous curriculum and the support they need to succeed. GDPS WA ensures that every student has a highly effective classroom experience by providing small, safe personalized schools, high expectations for all students, local control and accountability, parent participation, maximum funding in the classroom, and a longer school day and year. During Fiscal 2016, GDPS WA served 185 students in one middle school. Green Dot WA's students mirror the socio-economic demographic of their communities and local traditional schools: 85% eligible for Free or Reduced Price Lunch, a federal indicator of poverty; 28% Latino; 41% African American; and 22% receiving Special Education due to disability.

<u>School</u>	<u>Charter Number</u>	<u>Authorizer</u>	<u>Grades Served</u>	<u>Students Served</u>	<u>Charter Expiration</u>
Destiny Middle School	5378	Mary Walker School District	6-8	185	August 24, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by GDPS WA are described below to enhance the use of the combined financial statements to the reader.

Financial Statement Presentation

GDPS WA is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, GDPS WA is required to present a Statement of Cash Flows.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounting Method - Basis of Accounting

The combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit public benefit corporations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the combined financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. GDPS WA uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Related Parties

The Governing Board of GDPS National designates the Directors of GDPS WA. Transactions between GDPS WA and GDPS National have been identified on the face of the combined financial statements.

GDPS National is a national organization providing shared services to schools in California, Tennessee, and Washington. These services include, but are not limited to, Human Resources, Human Capital, Legal, Finance and Accounting, Information Technology, Strategic Planning, and National Expansion. In exchange, GDPS WA pays service fees to GDPS National. Each of the regional offices operate the schools and oversees educational services in their region. In addition, GDPS National reserves the right to determine whether separate fees associated with regional launch and new school start-up are required.

GDPS National grants GDPS WA a non-transferable, non-sub-licensable, and non-exclusive license to use, reproduce, and display the Green Dot marks, which include but are not limited to: trademarks, service marks, design marks, trade names, domain names, registrations in connection with GDPS WA's oversight, support activities, and related educational activities of the schools in its region.

Refer to the table below for related party transactions between GDPS WA and GDPS National:

	Accounts Payable - Related Party	Start-up Fees Expense	Shared Services Fee
GDPS WA Regional Office	\$ 302,335	\$ 250,000	\$ -
Destiny CMS	\$ -	\$ 200,000	\$ -

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or when the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions". GDPS WA had no temporarily or permanently restricted net assets at June 30, 2016.

In-kind contributions are recorded at their estimated fair values at the date of donation. Donated services are recorded if they create or enhance non-financial assets or require a specialized skill that GDPS WA would otherwise need to purchase.

Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which generally require revenue recognition upon incurrence of expenses related to the specified services. Deferred revenue is recorded to the extent cash received on specific grants exceeds qualified expenses.

Income Taxes

The IRS has determined that GDPS WA is exempt from Federal income taxes under provisions of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and is not a private foundation. Accordingly, no provision for Federal income tax has been made in these combined financial statements. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, GDPS WA considers all highly liquid investments with an initial maturity of three months or less to be considered as cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2016, management had determined all accounts receivable are fully collectible and no allowance for bad debts has been established.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Charter School prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Charter School has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Certain grants received before the eligibility requirements are met are recorded as deferred revenue.

Intra-company Receivable/Payable

Intra-company receivable/payable results from a net cumulative difference between resources provided by GDPS WA regional office to each charter school and reimbursement for those resources from each charter school to GDPS WA regional office.

Prior Year Comparative Financial Information

The combined financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with GDPS WA's combined financial statements for the year ended June 30, 2015, from which the comparative information was derived.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. GDPS WA had no temporarily restricted net assets at June 30, 2016.

Combination

The combined financial statements include the accounts of GDPS WA regional office and Destiny Middle School (Destiny MS) (Start-up costs). All material intra-company transactions have been eliminated.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash at June 30, 2016, consisted of the following:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits		
Cash on hand and in banks	<u>\$ 2,961,778</u>	<u>\$ 3,104,255</u>

The majority of GDPS WA's cash is held in non-interest bearing accounts, which are subject to federally insured limits. GDPS WA have not experienced any losses in such accounts. At June 30, 2016, GDPS WA had \$2,854,255 in excess of FDIC insured limits in non-interest bearing accounts.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of the following:

Federal receivable	\$ 51,507
State receivable	281,709
Other receivable	7,326
Total Accounts Receivable	<u>\$ 340,542</u>

NOTE 5 - CONDITIONAL PROMISES

On November 10, 2013, GDPS WA received a promise to give from a private foundation conditioned upon planning and launch of a new charter school and regional office for 2015 school year in Washington State. On September 30, 2015, the original promise was amended to include additional funds and to extend to the promise to June 30, 2018. GDPS WA may receive \$800,000 over the next two years upon completion of all milestones outlined in the amended agreement.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable at June 30, 2016, consisted of the following:

Salaries and benefits	\$ 84,803
Accruals	154,977
Total Accounts Payable and Accruals	<u>\$ 239,780</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2016, consisted of the following:

Private sources	<u>\$ 2,770,510</u>
-----------------	---------------------

NOTE 8 - FAIR VALUE FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of GDPS WA financial instruments as of June 30, 2016 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	<u>\$ 2,961,778</u>	<u>\$ 2,961,778</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents—The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

NOTE 9 - REVOLVING LINE OF CREDIT

GDPS WA has available a bank line of credit of \$1,000,000 to bridge monthly funding delays from the State of Washington, when necessary. The line of credit matures December 15, 2016. GDPS WA has not drawn on this line of credit.

NOTE 10 - OPERATING LEASES

Regional Office

GDPS WA entered into a lease agreement on February 10, 2015, with McKinstry Co., LLC to lease the premises located in Tacoma, Washington at 210 S. Hudson Street, Suite 306. The term of the lease commenced upon the date the lessee occupies the property and ends July 15, 2015. On September 30, 2015, GDPS WA vacated the premises and terminated the lease agreement.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - OPERATING LEASES, continued

Destiny Middle School

GDPS WA entered into a lease agreement on behalf of Destiny Middle School on January 15, 2015, with PSCD Tacoma Facilities II LLC, to lease the premises on 1301 East 34th Street. The term of the lease commenced upon the date the lessor acquired the property and ends June 30, 2045. The base rent shall be paid in monthly installments equal to the amount set forth under the lessor's loan agreement dated January 15, 2015.

Future payments are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
2017	\$ 470,200
2018	500,604
2019	541,216
2020	605,604
2021	617,716
Thereafter	19,167,915
Total	<u>\$ 21,903,255</u>

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Plan Description

GDPS WA employees participate in the Washington State's public retirement systems: Public Employees' Retirement System (PERS), School Employees' Retirement System (SERS), and Teachers' Retirement System (TRS), which are cost-sharing, multiple-employer retirement systems composed of defined benefit plans (PERS 1, SERS 2, TRS 1, and TRS 2) and defined contribution plans (SERS 3 and TRS 3). As established in the Revised Code of Washington (RCW) Chapter 41.50, the Department of Retirement Systems (DRS) administers these retirement systems covering eligible employees of the state and local governments.

A full description of the retirement plans regarding benefit provisions, assumptions, and membership information are in the audited financial report and are publically available on the DRS website at: <http://www.drs.wa.gov/administration/annual-report>.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS, continued

Provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>PERS 1</u>	<u>SERS 2</u>	<u>SERS 3</u>	<u>TERS 1</u>	<u>TERS 2</u>	<u>TERS 3</u>
Benefit vesting schedule	5 years of service	5 years of service	10 years of service	5 years of service	5 years of service	5 years of service
Retirement age	Any age after 30 years of service, at 55 with at least 25 years of service or at 60 with at least 5 years of service	65	65	Any age after 30 years of service, at 55 with at least 25 years of service or at 60 with at least 5 years of service	65	65
Monthly benefit as a percentage of eligible compensation	2%	2%	1%	2%	2%	1%
Required employee contribution rate	6.00%	5.63%	0%	6.00%	5.95%	0%
Required employer contribution rate	11.18%	11.58%	11.58%	13.13%	13.13%	13.13%

The employer's contribution to DRS for the fiscal year ending June 30, 2016, were as shown below and equals the required contributions for the fiscal year:

PERS	\$ 1,106
SERS	55,282
TERS	72,777
Total	<u><u>\$ 129,165</u></u>

401K

Effective January 1, 2016, GDPS WA established a defined contribution plan (the Plan) covering all eligible employees 21 years or older and with one year of eligibility service.

NOTE 12 - CONTINGENCIES

GDPS WA has received Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

GDPS WA has various outstanding claims or litigation. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on GDPS WA's financial position or result of operations.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTES TO COMBINED THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 - SUBSEQUENT EVENTS

GDPS WA's management has evaluated events or transactions that may occur for potential recognition or disclosure in the combined financial statements from the balance sheet date through January 9, 2017, which is the date the combined financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted below, that would have a material impact on the current year combined financial statements.

Effective April 3, 2016, the Washington State Legislature passed the Bill SB 6194 into law granting charter schools legal status. There is a new lawsuit pending against the State, to which GDPS WA signed on as an intervening party.

Beginning in the Fall of 2017, GDPS WA will open a second middle school located in Seattle, Washington. The Washington State Charter Commission approved the Seattle Middle School its charter agreement with an expiration date of August 22, 2027.

SUPPLEMENTARY INFORMATION

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

REGIONAL OFFICE STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2015)

JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,885,398	\$ 1,198,496
Accounts receivable	7,179	-
Accounts receivable - related party	-	62,262
Intra-company receivable	421,985	48,538
Total Current Assets	<u>3,314,562</u>	<u>1,309,296</u>
Non-Current Assets:		
Security deposits	1,000	2,200
Total Non-Current Assets	<u>1,000</u>	<u>2,200</u>
Total Assets	<u>\$ 3,315,562</u>	<u>\$ 1,311,496</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 213,972	\$ 78,657
Accounts payable - related party	302,335	-
Deferred revenue	2,770,510	1,217,738
Total Current Liabilities	<u>3,286,817</u>	<u>1,296,395</u>
NET ASSETS		
Unrestricted	28,745	15,101
Total Net Assets	<u>28,745</u>	<u>15,101</u>
Total Liabilities and Net Assets	<u>\$ 3,315,562</u>	<u>\$ 1,311,496</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

**REGIONAL OFFICE STATEMENT OF ACTIVITIES AND CHANGES IN
NET ASSETS**

(With comparative financial information at June 30, 2015)

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
Federal revenue	\$ -	\$ 76,589
Contributions and grants	1,087,918	988,643
Local revenue	129,552	15,101
Total Revenues	<u>1,217,470</u>	<u>1,080,333</u>
EXPENSES		
Program services:		
Salaries and benefits	277,225	-
Materials and supplies	33	9,002
Other expenses	36,776	15,224
Occupancy	-	454
Subtotal	<u>314,034</u>	<u>24,680</u>
Management and general:		
Salaries and benefits	477,879	362,635
Occupancy	10,700	15,917
Operating expenses	151,213	187,000
Shared services and start-up fees - related party	250,000	475,000
Subtotal	<u>889,792</u>	<u>1,040,552</u>
Total Expenses	<u>1,203,826</u>	<u>1,065,232</u>
CHANGE IN UNRESTRICTED NET ASSETS	13,644	15,101
NET ASSETS, BEGINNING OF YEAR	15,101	-
NET ASSETS, END OF YEAR	<u>\$ 28,745</u>	<u>\$ 15,101</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

REGIONAL OFFICE STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2015)

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ 13,644	\$ 15,101
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(7,179)	-
Accounts receivable - related party	62,262	(62,262)
Intra-company receivable	(373,447)	(48,538)
Cash paid for security deposits - net	1,200	(2,200)
Increase (Decrease) in liabilities		
Accounts payable and accruals	135,315	78,657
Accounts payable - related party	302,335	-
Deferred revenue	1,552,772	1,217,738
Net Cash Provided by Operating Activities	<u>1,686,902</u>	<u>1,198,496</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,198,496</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,885,398</u>	<u>\$ 1,198,496</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

DESTINY MIDDLE SCHOOL STATEMENT OF FINANCIAL POSITION
(With comparative financial information at June 30, 2015)

JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 76,380	\$ -
Accounts receivable	333,363	50,394
Total Current Assets	<u>409,743</u>	<u>50,394</u>
Non-Current Assets:		
Security deposits	38,050	-
Total Assets	<u>\$ 447,793</u>	<u>\$ 50,394</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accruals	\$ 25,808	\$ 1,856
Intra-company payable	421,985	48,538
Total Current Liabilities	<u>447,793</u>	<u>50,394</u>
NET ASSETS		
Unrestricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>-</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 447,793</u>	<u>\$ 50,394</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

**DESTINY MIDDLE SCHOOL STATEMENT OF ACTIVITIES AND CHANGES IN
NET ASSETS**

(With comparative financial information at June 30, 2015)

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
State apportionments	\$ 427,152	\$ -
Federal revenue	465,065	96,711
Contributions and grants	-	61,522
Local revenue	2,895,556	-
Total Revenues	<u>3,787,773</u>	<u>158,233</u>
EXPENSES		
Program services:		
Salaries and benefits	1,463,152	81,795
Student services	903,067	1,812
Materials and supplies	121,934	17,243
Other expenses	612,471	57,383
Occupancy	374,133	-
Subtotal	<u>3,474,757</u>	<u>158,233</u>
Management and general:		
Shared service fee	313,016	-
Subtotal	<u>313,016</u>	<u>-</u>
Total Expenses	<u>3,787,773</u>	<u>158,233</u>
CHANGE IN UNRESTRICTED NET ASSETS	-	-
NET ASSETS, BEGINNING OF YEAR	-	-
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

DESTINY MIDDLE SCHOOL STATEMENT OF CASH FLOWS
(With comparative financial information at June 30, 2015)

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ -	\$ -
Changes in operating assets and liabilities:		
(Increase) Decrease in assets		
Accounts receivable	(282,969)	(50,394)
Cash received (paid) for security deposits - net	(38,050)	-
Increase (Decrease) in liabilities		
Accounts payable and accruals	23,952	1,856
Intra-company payable	373,447	48,538
Net Cash Provided by Operating Activities	<u>76,380</u>	<u>-</u>
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>-</u>	 <u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 76,380</u>	 <u>\$ -</u>
 Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	Regional Office	Destiny MS	Elimination	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 2,885,398	\$ 76,380	\$ -	\$ 2,961,778
Accounts receivable	7,179	333,363	-	340,542
Intra-company receivable	421,985	-	(421,985)	-
Total Current Assets	<u>3,314,562</u>	<u>409,743</u>	<u>(421,985)</u>	<u>3,302,320</u>
Non-Current Assets:				
Security deposits	1,000	38,050	-	39,050
Total Non-Current Assets	<u>1,000</u>	<u>38,050</u>	<u>-</u>	<u>39,050</u>
Total Assets	<u>\$ 3,315,562</u>	<u>\$ 447,793</u>	<u>\$ (421,985)</u>	<u>\$ 3,341,370</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accruals	\$ 213,972	\$ 25,808	\$ -	\$ 239,780
Accounts payable - related party	302,335	-	-	302,335
Intra-company payable	-	421,985	(421,985)	-
Deferred revenue	2,770,510	-	-	2,770,510
Total Current Liabilities	<u>3,286,817</u>	<u>447,793</u>	<u>(421,985)</u>	<u>3,312,625</u>
NET ASSETS				
Unrestricted	28,745	-	-	28,745
Total Net Assets	<u>28,745</u>	<u>-</u>	<u>-</u>	<u>28,745</u>
Total Liabilities and Net Assets	<u>\$ 3,315,562</u>	<u>\$ 447,793</u>	<u>\$ (421,985)</u>	<u>\$ 3,341,370</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	Regional Office	Destiny MS	Elimination	Total
CHANGES IN UNRESTRICTED NET ASSETS				
REVENUES				
State apportionments	\$ -	\$ 427,152	\$ -	\$ 427,152
Federal revenue	-	465,065	-	465,065
Contributions and grants	1,087,918	-	-	1,087,918
Local revenue	129,552	2,895,556	(113,016)	2,912,092
Total Revenues	<u>1,217,470</u>	<u>3,787,773</u>	<u>(113,016)</u>	<u>4,892,227</u>
EXPENSES				
Program services:				
Salaries and benefits	277,225	1,463,152	-	1,740,377
Student services	-	903,067	-	903,067
Materials and supplies	33	121,934	-	121,967
Other expenses	36,776	612,471	-	649,247
Occupancy	-	374,133	-	374,133
Subtotal	<u>314,034</u>	<u>3,474,757</u>	<u>-</u>	<u>3,788,791</u>
Management and general:				
Salaries and benefits	477,879	-	-	477,879
Occupancy	10,700	-	-	10,700
Operating expenses	151,213	-	-	151,213
Shared services and start-up fees - related party	250,000	313,016	(113,016)	450,000
Subtotal	<u>889,792</u>	<u>313,016</u>	<u>(113,016)</u>	<u>1,089,792</u>
Total Expenses	<u>1,203,826</u>	<u>3,787,773</u>	<u>(113,016)</u>	<u>4,878,583</u>
CHANGE IN UNRESTRICTED NET ASSETS	13,644	-	-	13,644
NET ASSETS, BEGINNING OF YEAR	15,101	-	-	15,101
NET ASSETS, END OF YEAR	<u>\$ 28,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,745</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Regional Office	Destiny MS	Elimination	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in unrestricted net assets	\$ 13,644	\$ -	\$ -	\$ 13,644
Changes in operating assets and liabilities:				
(Increase) Decrease in assets				
Accounts receivable	(7,179)	(282,969)	-	(290,148)
Accounts receivable - related party	62,262	-	-	62,262
Intra-company receivable	(373,447)	-	373,447	-
Cash paid for security deposits - net	1,200	(38,050)	-	(36,850)
Increase (Decrease) in liabilities				
Accounts payable and accruals	135,315	23,952	-	159,267
Accounts payable - related party	302,335	-	-	302,335
Intra-company payable	-	373,447	(373,447)	-
Deferred revenue	1,552,772	-	-	1,552,772
Net Cash Provided by Operating Activities	1,686,902	76,380	-	1,763,282
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,198,496	-	-	1,198,496
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,885,398</u>	<u>\$ 76,380</u>	<u>\$ -</u>	<u>\$ 2,961,778</u>
Supplemental cash flow disclosure:				
Cash paid during the period for interest	\$ -	\$ -	\$ -	\$ -

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Supplementary Financial Statements by Entity

These combined financial statements include an account of the regional office and charter school operated by GDPS WA.

Combining Statements

The accompanying combined financial statements report the individual programs of GDPS WA and are presented on the accrual basis of accounting. Eliminating entries in the combined financial statements are due to shared expenses between GDPS WA regional office and the charter school.

INDEPENDENT AUDITOR'S REPORTS



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

Board of Directors
Green Dot Public Schools Washington
(A Washington Nonprofit Public Benefit Corporation)
Tacoma, Washington

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 combined financial statements of Green Dot Public Schools Washington (GDPS WA) (A Washington Nonprofit Public Benefit Corporation) as of and for the year ended June 30, 2016, and the related notes to the combined financial statements, which collectively comprise GDPS WA's combined financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered GDPS WA'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 opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of GDPS WA's internal control. Accordingly, we do not express an opinion on the effectiveness of GDPS WA'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 Charter School'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 GDPS WA's combined 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 GDPS WA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GDPS WA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
January 9, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE
(A Washington Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported