

**ACHIEVEMENT PREPARATORY ACADEMY
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2022 AND 2021

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Board of Trustees
Achievement Preparatory Academy Public Charter School
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Achievement Preparatory Academy Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Preparatory Academy Public Charter School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Achievement Preparatory Academy Public Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Achievement Preparatory Academy Public Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Achievement Preparatory Academy Public Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Achievement Preparatory Academy Public Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 expenditures of federal awards 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 December 7, 2022, on our consideration of Achievement Preparatory Academy Public Charter School'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Achievement Preparatory Academy Public Charter School's 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 Achievement Preparatory Academy Public Charter School's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note B to the financial statements, during the year ended June 30, 2022, Achievement Preparatory Academy Public Charter School adopted new accounting guidance, Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Report on Supplementary Schedules Required by DCPCSB

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules of vendor awarded contracts equal to or above \$25,000 on page 33, and income not subject to DCPCSB administrative fee on page 34, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "JM & M". The signature is written in a cursive, flowing style.

Washington, DC
December 7, 2022

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 7,931,194 | \$ 7,366,187 |
| Grants receivable | 875,740 | 1,265,854 |
| Accounts receivable | 190,317 | 15,753 |
| Medicaid receivable | 209,985 | 173,156 |
| Prepaid expenses | 63,346 | 33,558 |
| Total Current Assets | <u>9,270,582</u> | <u>8,854,508</u> |
| NON-CURRENT ASSETS | | |
| Property and equipment, net | 26,459,946 | 27,608,108 |
| Restricted cash and cash equivalents | 180,428 | 300,383 |
| Security deposit | 5,900 | 5,900 |
| Total Non-Current Assets | <u>26,646,274</u> | <u>27,914,391</u> |
| TOTAL ASSETS | <u><u>\$ 35,916,856</u></u> | <u><u>\$ 36,768,899</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 182,415 | \$ 60,250 |
| Accrued expenses | 66,198 | 51,743 |
| PPP loan, current portion | - | 447,263 |
| Accrued interest expense | 106,664 | 104,345 |
| Capital lease obligation, current portion | 16,335 | - |
| Notes payable, current portion | 253,027 | - |
| Total Current Liabilities | <u>624,639</u> | <u>663,601</u> |
| NON-CURRENT LIABILITIES | | |
| Security deposit payable | 105,000 | - |
| PPP loan, net of current portion | - | 1,006,342 |
| Capital lease obligation, net of current portion | 23,087 | - |
| Notes payable, net of current portion | 30,687,197 | 30,907,414 |
| Total Non-Current Liabilities | <u>30,815,284</u> | <u>31,913,756</u> |
| TOTAL LIABILITIES | 31,439,923 | 32,577,357 |
| NET ASSETS | | |
| Without donor restrictions | 4,356,933 | 4,071,542 |
| With donor restrictions | 120,000 | 120,000 |
| Total Net Assets | <u>4,476,933</u> | <u>4,191,542</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 35,916,856</u></u> | <u><u>\$ 36,768,899</u></u> |

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

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| REVENUE AND SUPPORT | | | |
| General education, DC funding allocation | \$ 5,270,270 | \$ - | \$ 5,270,270 |
| Categorical enhancements, DC funding allocation | 753,844 | - | 753,844 |
| Facility allowance, DC funding allocation | 678,192 | - | 678,192 |
| Federal entitlements and other federal grants | 521,268 | - | 521,268 |
| Federal grants, COVID-19 | 892,233 | - | 892,233 |
| Donated federal commodities | 56,803 | - | 56,803 |
| Forgiveness of PPP loan | 1,453,605 | - | 1,453,605 |
| Medicaid program revenue | 37,837 | - | 37,837 |
| State and local government contributions and grants | 129,389 | - | 129,389 |
| Private contributions, donations, and grants | 72,632 | - | 72,632 |
| Rental income | 83,440 | - | 83,440 |
| Other income | 123,573 | - | 123,573 |
| Interest income | 12,102 | - | 12,102 |
| Total Revenue and Support | 10,085,188 | - | 10,085,188 |
| EXPENSES | | | |
| Program Services: | | | |
| Educational services | 7,778,961 | - | 7,778,961 |
| Support Services: | | | |
| Management and general | 2,020,836 | - | 2,020,836 |
| Total Expenses | 9,799,797 | - | 9,799,797 |
| CHANGE IN NET ASSETS | 285,391 | - | 285,391 |
| NET ASSETS , beginning of year | 4,071,542 | 120,000 | 4,191,542 |
| NET ASSETS , end of year | \$ 4,356,933 | \$ 120,000 | \$ 4,476,933 |

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

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------------|
| REVENUE AND SUPPORT | | | |
| General education, DC funding allocation | \$ 3,409,965 | \$ - | \$ 3,409,965 |
| Categorical enhancements, DC funding allocation | 843,888 | - | 843,888 |
| Facility allowance, DC funding allocation | 889,488 | - | 889,488 |
| Federal entitlements and other federal grants | 1,242,830 | - | 1,242,830 |
| Federal grant, COVID-19 | 368,122 | - | 368,122 |
| Donated federal commodities | 5,967 | - | 5,967 |
| State and local government contributions and grants | 7,934 | - | 7,934 |
| Private contributions, donations, and grants | 2,298 | - | 2,298 |
| Other income | 12,500 | - | 12,500 |
| Interest income | 56,843 | - | 56,843 |
| Net assets released from restrictions | <u>2,000</u> | <u>(2,000)</u> | <u>-</u> |
| Total Revenue and Support | 6,841,835 | (2,000) | 6,839,835 |
| EXPENSES | | | |
| Program Services: | | | |
| Educational services | 8,558,666 | - | 8,558,666 |
| Support Services: | | | |
| Management and general | <u>1,869,452</u> | <u>-</u> | <u>1,869,452</u> |
| Total Expenses | <u>10,428,118</u> | <u>-</u> | <u>10,428,118</u> |
| CHANGE IN NET ASSETS | (3,586,283) | (2,000) | (3,588,283) |
| NET ASSETS , beginning of year | <u>7,657,825</u> | <u>122,000</u> | <u>7,779,825</u> |
| NET ASSETS , end of year | <u><u>\$ 4,071,542</u></u> | <u><u>\$ 120,000</u></u> | <u><u>\$ 4,191,542</u></u> |

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

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | Program Services Educational Services | Support Services Management and General | Total |
|--|---|---|----------------------------|
| PERSONNEL, SALARIES AND BENEFITS | | | |
| Salaries | \$ 1,604,432 | \$ 719,741 | \$ 2,324,173 |
| Employee benefits | 175,183 | 78,586 | 253,769 |
| Payroll taxes | 130,323 | 58,463 | 188,786 |
| Contracted staff | 19,981 | - | 19,981 |
| Professional development | 211,013 | 64,575 | 275,588 |
| Total Personnel, Salaries and Benefits | <u>2,140,932</u> | <u>921,365</u> | <u>3,062,297</u> |
| DIRECT STUDENT COSTS | | | |
| Supplies and materials | 73,286 | - | 73,286 |
| Contracted student services | 99,817 | - | 99,817 |
| Food service/catering | 159,014 | - | 159,014 |
| Donated federal commodities | 56,803 | - | 56,803 |
| Student assessments | 79,811 | - | 79,811 |
| Other student costs | 25,838 | - | 25,838 |
| Total Direct Student Costs | <u>494,569</u> | <u>-</u> | <u>494,569</u> |
| OCCUPANCY EXPENSE - LEASED FACILITY | | | |
| Repairs and maintenance | 71,852 | 17,964 | 89,816 |
| Janitorial services | 2,741 | 686 | 3,427 |
| Utilities | 126,600 | 31,650 | 158,250 |
| Depreciation and amortization - facility | 867,834 | 216,960 | 1,084,794 |
| Contracted building services | 266,607 | 66,652 | 333,259 |
| Supplemental rent | 298 | 74 | 372 |
| Insurance - facility | 50,647 | 12,662 | 63,309 |
| Interest - facility | 1,148,028 | 287,007 | 1,435,035 |
| Total Occupancy Expense - Leased Facility | <u>2,534,607</u> | <u>633,655</u> | <u>3,168,262</u> |
| OFFICE EXPENSE | | | |
| Office supplies and materials | 35,325 | 8,832 | 44,157 |
| Equipment rental | 24,628 | 6,157 | 30,785 |
| Telecommunications | 57,245 | 14,311 | 71,556 |
| Postage and shipping | 3,113 | 778 | 3,891 |
| Total Office Expenses | <u>120,311</u> | <u>30,078</u> | <u>150,389</u> |
| GENERAL EXPENSES | | | |
| Insurance - non-facility | 40,703 | 10,176 | 50,879 |
| Administration fee | - | 68,516 | 68,516 |
| Accounting, auditing and payroll | - | 158,873 | 158,873 |
| Legal fees | 71,688 | 17,923 | 89,611 |
| Computer support fees | - | 82,904 | 82,904 |
| Other professional fees | 171,577 | 42,895 | 214,472 |
| Depreciation and amortization - non-facility | 147,154 | 36,135 | 183,289 |
| Interest - non-facility | 1,209 | 302 | 1,511 |
| Dues, fees and fines | - | 18,014 | 18,014 |
| Management fee | 2,056,211 | - | 2,056,211 |
| Total General Expenses | <u>2,488,542</u> | <u>435,738</u> | <u>2,924,280</u> |
| TOTAL EXPENSES | <u><u>\$ 7,778,961</u></u> | <u><u>\$ 2,020,836</u></u> | <u><u>\$ 9,799,797</u></u> |

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

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

| | Program Services | Support Services | |
|--|-------------------------|---------------------------|----------------------|
| | Educational Services | Management and General | Total |
| PERSONNEL, SALARIES AND BENEFITS | | | |
| Salaries | \$ 2,899,834 | \$ 638,342 | \$ 3,538,176 |
| Employee benefits | 222,536 | 48,988 | 271,524 |
| Payroll taxes | 237,647 | 52,313 | 289,960 |
| Contracted staff | 51,849 | - | 51,849 |
| Professional development | 219,221 | 15,353 | 234,574 |
| Total Personnel, Salaries and Benefits | <u>3,631,087</u> | <u>754,996</u> | <u>4,386,083</u> |
| DIRECT STUDENT COSTS | | | |
| Supplies and materials | 62,459 | - | 62,459 |
| Scholarships | 2,000 | - | 2,000 |
| Contracted student services | 171,147 | - | 171,147 |
| Food service/catering | 32,239 | - | 32,239 |
| Donated federal commodities | 5,967 | - | 5,967 |
| Student assessments | 81,643 | - | 81,643 |
| Other student costs | 19,495 | - | 19,495 |
| Total Direct Student Costs | <u>374,950</u> | <u>-</u> | <u>374,950</u> |
| OCCUPANCY EXPENSE - LEASED FACILITY | | | |
| Repairs and maintenance | 80,681 | 20,170 | 100,851 |
| Janitorial services | 11,448 | 2,862 | 14,310 |
| Utilities | 149,355 | 37,339 | 186,694 |
| Depreciation and amortization - facility | 866,570 | 216,642 | 1,083,212 |
| Contracted building services | 264,087 | 66,022 | 330,109 |
| Insurance - facility | 47,457 | 11,865 | 59,322 |
| Interest - facility | 1,213,344 | 229,353 | 1,442,697 |
| Total Occupancy Expense - Leased Facility | <u>2,632,942</u> | <u>584,253</u> | <u>3,217,195</u> |
| OFFICE EXPENSES | | | |
| Office supplies and materials | 11,445 | 2,861 | 14,306 |
| Equipment rental | 53,133 | 13,284 | 66,417 |
| Telecommunications | 61,041 | 15,260 | 76,301 |
| Postage and shipping | 1,857 | 464 | 2,321 |
| Total Office Expenses | <u>127,476</u> | <u>31,869</u> | <u>159,345</u> |
| GENERAL EXPENSES | | | |
| Insurance - non-facility | 9,100 | 2,275 | 11,375 |
| Administration fee | - | 65,329 | 65,329 |
| Accounting, auditing and payroll | - | 154,111 | 154,111 |
| Legal fees | 30,245 | 7,561 | 37,806 |
| Computer support fees | 92,216 | 23,054 | 115,270 |
| Other professional fees | - | 178,748 | 178,748 |
| Other expenses | 968 | 246 | 1,214 |
| Depreciation and amortization - non-facility | 162,802 | 40,701 | 203,503 |
| Dues, fees and fines | - | 26,309 | 26,309 |
| Management fee | 1,496,880 | - | 1,496,880 |
| Total General Expenses | <u>1,792,211</u> | <u>498,334</u> | <u>2,290,545</u> |
| TOTAL EXPENSES | <u>\$ 8,558,666</u> | <u>\$ 1,869,452</u> | <u>\$ 10,428,118</u> |

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

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 285,391 | \$ (3,588,283) |
| Adjustments to reconcile change in net assets to net cash (used for) | | |
| provided by (used for) operating activities: | | |
| Depreciation and amortization - facility | 1,084,794 | 1,083,212 |
| Depreciation and amortization - non-facility | 183,289 | 203,503 |
| Amortization of deferred financing costs | 32,810 | 32,811 |
| Forgiveness of PPP loan | (1,453,605) | - |
| (Increase) decrease in assets: | | |
| Grants receivable | 390,114 | (866,369) |
| Accounts receivable | (174,564) | 91,873 |
| Medicaid receivable | (36,829) | 240,990 |
| Prepaid expenses | (29,788) | 39,598 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 122,165 | (60,076) |
| Accrued expenses | 14,455 | (120,151) |
| Accrued interest expense | 2,319 | - |
| Security deposit payable | <u>105,000</u> | <u>-</u> |
| Net Cash Provided by (Used for) Operating Activities | 525,551 | (2,942,892) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>(119,921)</u> | <u>(54,427)</u> |
| Net Cash Used for Investing Activities | (119,921) | (54,427) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from capital lease loans | 49,868 | - |
| Payments on capital lease obligations | <u>(10,446)</u> | <u>-</u> |
| Net Cash Provided by for Financing Activities | <u>39,422</u> | <u>-</u> |
| NET CHANGE IN CASH AND RESTRICTED CASH AND CASH EQUIVALENTS | 445,052 | (2,997,319) |
| CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year | <u>7,666,570</u> | <u>10,663,889</u> |
| CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 8,111,622</u></u> | <u><u>\$ 7,666,570</u></u> |
| SUPPLEMENTARY INFORMATION: | | |
| Cash paid for interest | <u>\$ 1,401,417</u> | <u>\$ 1,409,886</u> |
| Cash | \$ 7,931,194 | \$ 7,366,187 |
| Restricted cash and cash equivalents | <u>180,428</u> | <u>300,383</u> |
| Total Cash and Restricted Cash and Cash Equivalents | <u><u>\$ 8,111,622</u></u> | <u><u>\$ 7,666,570</u></u> |

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

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND PURPOSE

Achievement Preparatory Academy Public Charter School (the “School”) was incorporated in January 2007 as a college preparatory public charter school located in Washington, DC. The School currently serves children in grades prek3 through third, with plans to grow a grade each year through eighth grade. The School’s mission is to prepare students to excel as high-achieving scholars and leaders in high school, college, and beyond. Critical to the School’s mission is also the idea of developing and fostering a strong character in its scholars. Daily, scholars focus on the development and practice of the School’s DREAM values (Determination, Respect, Enthusiasm, Accountability, and Mastery).

The School’s beliefs include:

- All students, regardless of race or socio-economic status, deserve a top-quality, rigorous college-preparatory education.
- When provided with a highly structured, disciplined, and supportive learning environment with quality, targeted instruction, all students will achieve the highest academic standards.
- Literacy is the most essential academic skill upon which the majority of all future skill and knowledge acquisition is based.

As a DC public charter school, the School has a guaranteed funding stream from the District of Columbia (DC funding allocation) and the U.S. federal government (federal formula grants for education and other programs) provided it meets compliance requirements. A DC public charter school is considered a Local Educational Agency under federal education programs. As a DC public charter school, the School enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’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.

Adoption of New Accounting Pronouncement

In September 2020, The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires updated presentation and enhanced disclosure related to contributed nonfinancial assets received. This enhanced disclosure includes

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncement – continued

disaggregation of significant categories of contributed nonfinancial assets and additional qualitative information regarding the use of these contributed nonfinancial assets. ASU 2020-07 has been implemented in the accompanying financial statements on a retrospective basis, however, there is no effect on net assets in connection with the implementation of ASU 2020-07 as the update only increased presentation and disclosure requirements for the prior year and did not impact amounts recorded.

Financial Statement Presentation

Financial statement presentation follows FASB ASC Topic 958, *Not-For-Profit Entities*. In accordance with Topic 958, net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained in perpetuity by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash

Cash includes any cash on hand and checking account balances. The School maintains its cash in bank deposit accounts, which may, at times, exceed federally insured limits. The School believes it is not exposed to any significant credit risk on cash.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of separate interest-bearing accounts that were established in accordance with the debt agreements.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment acquired are recorded at cost or, if donated, at the approximate fair value at the time of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the lesser of their useful life or the lease term. Repairs and maintenance are expensed when incurred.

Grants and Accounts Receivable

Grants receivable primarily consist of amounts due from the District of Columbia Office of Public Charter School Financing and Support for state and federal grant programs, whose ability to pay are subject to appropriations. Accounts receivable are related to student activity fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Receivables are stated at the amount management expects to collect from outstanding balances. Due to the nature of funding from the federal government and the District of Columbia, management believes that all grants receivable will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded for the School's grants receivable. Grants and accounts receivable at the beginning of the year ended June 30, 2021, totaled \$399,485 and 107,626, respectively.

Medicaid Receivable

Medicaid receivable represents reimbursable amounts due to the School as a subrecipient for providing services to eligible students through the Medicaid School Health Services Program. The School expects to receive payment upon the completion of an independent desk audit of the Medicaid Cost Report, which could take 12 to 18 months for the School to receive the funds, depending on the amount of backlog of audits waiting to be performed. However, management believes that all receivables will be collected, and therefore, no allowance for doubtful accounts has been established. Medicaid receivable at the beginning of the year ended June 30, 2021, totaled \$414,146.

Debt Issuance Costs

Costs incurred in the issuance of debt have been capitalized and are reported on the statements of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method. The amortization of debt issuance costs as interest expenses for the years ended June 30, 2022 and 2021, totaled \$32,810 and \$32,811, respectively.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

General Education, Categorical Enhancements, and Facilities Allowance; DC Funding Allocations, Federal Entitlements and Other Federal Funds; State and Local Government Contributions and Grants; Federal Grants – COVID-19

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education, District of Columbia Public Charter School Board, the U.S. Department of Education, Medicaid and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return, and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

The School receives a student allocation on a per pupil basis from the District Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided.

As of June 30, 2022, the School had conditional promises to give in the total amount of \$5,312,724, that are expected to be fulfilled by the fiscal year ending June 30, 2024.

Private Contributions, Donations, and Grants

The School recognizes other grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

Rental Income

Rental income is recognized at a point in time when the services are provided and completed.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition – continued

Other Income

Other income is the total of refunds from utility overpayments and a legal settlement payment and is recognized when received.

Donated Federal Commodities

The School recognizes in-kind services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The School received donated federal commodities, mainly food items, from a federal government agency and recognized these at either the fair market value at the time of the donation or at the value determined by the federal agency.

Method Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or a support function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy expenses, which are allocated on the basis of salaries and related costs, which are based on the amount of time and effort expended.

Use of Estimates

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

Reclassifications

For comparative purposes, the presentation of amounts of revenue and support have been reclassified on the statement of activities for the year ended June 30, 2021, in order to align more closely with the DCPCSB's 2022 audit guidelines. Additionally, depreciation and amortization expenses, interest expense, and any other applicable expenses have been disaggregated between facility and non-facility related expense categories on the statement of functional expenses for the year ended June 30, 2021. The reclassifications were made to conform to the current year presentation and had no effect on the previously reported net assets or change in net assets.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE C – INCOME TAXES

The School is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School's information returns for the years ending June 30, 2019 through 2021 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments. Timing of revenue receipts also ensures the availability of necessary operational funds. The School's sources of liquidity at its disposal include cash and receivables. In addition to financial assets available to meet general expenditures over the next 12 months, the School anticipates collecting sufficient revenue to cover general expenditures.

In determining the adequacy of liquidity sources to cover general expenditures over a 12-month period, the School considers all expenditures related to its ongoing educational services as well as services undertaken to support its program to be general operating expenditures.

The following reflects the School's financial assets as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| Cash | \$ 7,931,194 | \$ 7,366,187 |
| Grants receivable | 875,740 | 1,265,854 |
| Accounts receivable | 190,317 | 15,753 |
| Medicaid receivable | 209,985 | 173,156 |
| Total Financial Assets | <u>9,207,236</u> | <u>8,820,950</u> |
| Less: net assets with donor restrictions | <u>(120,000)</u> | <u>(120,000)</u> |
| Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year | <u><u>\$ 9,087,236</u></u> | <u><u>\$ 8,700,950</u></u> |

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE E – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Building improvements | \$ 32,923,089 | \$ 32,861,872 |
| Classroom furnishings | 1,013,465 | 1,006,533 |
| Computers and computer applications | 910,133 | 908,229 |
| Office furnishings | 66,616 | 66,616 |
| Capital lease | 49,868 | - |
| | <u>34,963,171</u> | <u>34,843,250</u> |
| Less: accumulated depreciation and amortization | <u>(8,503,225)</u> | <u>(7,235,142)</u> |
| Property and Equipment, Net | <u>\$ 26,459,946</u> | <u>\$ 27,608,108</u> |

Depreciation and amortization expense for the years ended June 30, 2022 and 2021, totaled \$1,268,083 and \$1,286,715, respectively. During fiscal year 2022, the School renamed leasehold improvements to building improvements.

During fiscal year 2022, the School entered into a capital lease agreement for a new copier. Accumulated depreciation includes accumulated amortization of capital leased equipment in the amount of \$11,082 as of June 30, 2022.

Average Usable Square Footage

The School leases the facilities in which it operates, having an average usable square footage of 96,000, for each month during the year ended June 30, 2022.

NOTE F – NOTES PAYABLE

New Market Tax Credit

During December 2015, the School became a participant in the New Market Tax Credit program (“NMTC”). The NMTC program encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits against their federal income tax return in exchange for making qualified investments in Community Development Entities (“CDEs”). The CDE’s purpose is to make loans and investments in low-income communities to Qualified Active Low-Income Community Businesses (“QALICB”). The School qualified as a QALICB.

The CDE utilized qualified funding to loan the School \$23,800,000 to finance its building renovations and the construction of a middle school. The NMTC program financing consists of

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE F – NOTES PAYABLE – continued

New Market Tax Credit – continued

four separate loans (“NMTC Loans”) each scheduled to mature in December 2040. The NMTC Loans accrue interest at fixed rates as stated in the table on the following page. Interest only payments are due quarterly through May 2023, with interest and principal payments due quarterly thereafter, until maturity. The NMTC Loans are collateralized by the assets of the School.

During December 2016, Community Urban Revitalization Enterprises VIII, LLC (“CURE”), another CDE, was formed to provide additional qualified funding in the amount of \$7,744,480 to the School under the NMTC program for the purpose of financing improvements of both the middle and elementary schools, and to pay off the previous outstanding debts. The additional financing consists of three separate loans, CURE Loan A-1, CURE Loan A-2, CURE Loan B, collectively “NMTC Loans 2”. The NMTC Loans 2 are collateralized by the assets of the School.

The NMTC Loans 2 accrue fixed rates of interest as stated in the table on the following page. Interest only payments are due quarterly through May 2024, followed by interest and principle payments due quarterly thereafter, until maturity in December 2040. The CURE Loan A-2 matures in December 2023, and is expected to be refinanced.

PPP Loan

On June 9, 2020, the School secured a \$1,453,605 loan with EagleBank, (the “Lender”) under the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. This loan could be used to cover certain expenses during the COVID-19 crisis. The loan amounts would be forgiven as long as the loan proceeds were used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan was made. If not used for the purpose above, monthly principal payments of \$27,954 plus interest, calculated at the rate of 1% per annum, were due beginning on March 9, 2021, until maturity on June 9, 2025. The PPP loan balance as of June 30, 2022 and 2021, totaled \$0 and \$1,453,605, respectively.

On July 2021, the School received approval for the full forgiveness of the loan principal and interest by the Lender and the SBA. Therefore, the total amount of \$1,453,605 was recognized as revenue on the statement of activities for the year ended June 30, 2022.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE F – NOTES PAYABLE – continued

Following is the long-term debt as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| City First Capital 41 LLC QLICI A (5.20%) | \$ 7,145,015 | \$ 7,145,015 |
| City First Capital 45 LLC QLICI A (5.20%) | 9,905,000 | 9,905,000 |
| City First Capital 41 LLC QLICI B (2.085%) | 2,654,985 | 2,654,985 |
| City First Capital 45 LLC QLICI B (1.109%) | 4,095,000 | 4,095,000 |
| CURE Loan A-1 (5.48%) | 3,180,205 | 3,180,205 |
| CURE Loan A-2 (5.00%) | 1,872,111 | 1,872,111 |
| CURE Loan B (5.00%) | 2,692,164 | 2,692,164 |
| PPP Loan | - | 1,453,605 |
| | <u>31,544,480</u> | <u>32,998,085</u> |
| Less: current portion | (253,027) | (447,263) |
| Less: deferred financing costs, net of accumulated amortization | <u>(604,256)</u> | <u>(637,066)</u> |
| Notes Payable, Net | <u><u>\$ 30,687,197</u></u> | <u><u>\$ 31,913,756</u></u> |

Deferred financing costs and accumulated amortization are as follows as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|--------------------------|--------------------------|
| Deferred financing costs | \$ 1,171,584 | \$ 1,171,584 |
| Less: accumulated amortization | <u>(567,328)</u> | <u>(534,518)</u> |
| | <u><u>\$ 604,256</u></u> | <u><u>\$ 637,066</u></u> |

Interest expense totaled \$1,435,035 and \$1,442,697, which includes amortization of deferred financing costs of \$32,810 and \$32,811, for the years ended June 30, 2022 and 2021, respectively.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE F – NOTES PAYABLE – continued

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

| | |
|------------|-----------------------------|
| 2023 | \$ 235,027 |
| 2024 | 2,888,809 |
| 2025 | 1,224,842 |
| 2026 | 1,274,919 |
| 2027 | 1,326,680 |
| Thereafter | 24,594,203 |
| Total | <u><u>\$ 31,544,480</u></u> |

NOTE G – CAPITAL LEASE

During the fiscal year ended June 30, 2022, the School entered into a capital lease agreement for copier equipment that requires a monthly payment of \$1,495. The term of this lease agreement is 36 months. The following are the future minimum lease payments for the equipment lease for the years ending June 30:

| | |
|-----------------------------------|-------------------------|
| 2023 | \$ 17,935 |
| 2024 | 17,935 |
| 2025 | <u>5,978</u> |
| | 41,848 |
| Less: interest | <u>(2,426)</u> |
| Total Minimum Lease Payments, Net | <u><u>\$ 39,422</u></u> |

NOTE H – GROUND LEASE AND SUBLEASE COMMITMENTS

Lease

In August 2015, the School entered into a ground lease agreement with the District of Columbia to lease the property at Wahler Place for a period of 30 years beginning on September 1, 2016. The annual base rent is \$777,000 for the first year and will increase by two percent on each anniversary thereafter. Rent will be abated for twelve consecutive calendar months for each one million dollars of expense incurred for construction, capital alteration and leasehold acquisition costs. Since the commencement of the construction, capital alteration, and leasehold acquisitions costs were higher than the rent expense for the lease term; no rent expense is expected to be incurred by the School for the life of the lease. The School has the option to renew the lease for an additional twenty-five year period at the then current market value.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE H – LEASE AND SUBLEASE COMMITMENTS – continued

Sublease

In June 2022, the School entered into a sublease agreement with the Digital Pioneer Academy Public Charter School (the “Subtenant”) to sublease the offices at Wahler Place for a period of three years and one month beginning on June 1, 2022 and ending June 30, 2025. The agreement required a security deposit from the Subtenant in a total amount of \$105,000, and is due to be returned to the Subtenant within 30 days following the expiration of the agreement. Monthly rent due to the School is based on the facilities portion of per-pupil funding for the Subtenant. The following are the future minimum receipts for the sublease for the years ending June 30:

| | |
|-------|---------------------|
| 2023 | \$ 1,177,080 |
| 2024 | 1,200,180 |
| 2025 | 1,223,610 |
| Total | <u>\$ 3,600,870</u> |

NOTE I – MANAGEMENT AGREEMENT

Effective on July 1, 2016, the School entered into a management agreement with AppleTree Institute for Education Innovation (“AppleTree”). The agreement contracts AppleTree to fully manage and operate the early education program for pre-school and pre-kindergarten children under the School’s charter. Management of the early education program includes operating, marketing, and staffing the program. The initial term of the agreement was effective for five years, and was scheduled to terminate on June 30, 2021. However, the management agreement was extended for an additional five years, through June 30, 2026. If adequate yearly progress has been achieved per evaluations, the term of the agreement may be automatically extended for an additional five-year period, unless either party gives notice to terminate agreement at least 120 days prior to the expiration date.

The School is responsible for all costs associated with operating the early education program. The School is to compensate AppleTree a management fee equal to the per-pupil funding the School receives for its enrolled pre-K3 and pre-K4 student population and other fees received specific to the early education program, such as special education, English language learners, at-risk population, and the summer school program. Management fees incurred under the agreement for the years ended June 30, 2022 and 2021, totaled \$2,056,211 and \$1,496,880, respectively.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE J – CHARTER SCHOOL AGREEMENT

On August 1, 2009, the School entered into a Charter School Agreement with the DCPCSB, which expires on July 30, 2023. as part of this agreement, the DCPCSB may charge the School a fee up to the maximum amount permitted by the Congressionally-enacted District of Columbia School Reform Act of 1995, as amended, to cover the administrative responsibilities of the DCPCSB. For the years ended June 30, 2022 and 2021, the School was charged \$68,516 and \$65,329, in administrative fees, respectively.

NOTE K – RETIREMENT PLAN

The School sponsors the Achievement Preparatory Academy 401(k) Profit Sharing Plan and Trust Plan (the “Plan”) for all employees who are at least 18 years of age. There are no minimum service requirements to make salary deferrals. Employees can enroll in the Plan on the first day of the month following completion of the eligibility requirements. Employees may make elective deferrals from their eligible earnings, up to the amount allowed by the Internal Revenue Code. The School matches the first three percent of a participant’s elective salary deferral. For the years ended June 30, 2022 and 2021, retirement benefit expense totaled \$50,255 and \$63,534, respectively.

NOTE L – COMMITMENTS AND CONTINGENCIES

The School participates in federal grant reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as of June 30, 2022 and 2021, respectively, may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE M – CONCENTRATIONS OF RISK

The School is dependent on funding from the District of Columbia as authorized by the District of Columbia Charter School Board. For each of the years ended June 30, 2022 and 2021, approximately 68% and 75%, respectively, of total revenue was provided from the District of Columbia. Reduction of this source of support would have a significant impact on the School’s programs and activities.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE M – CONCENTRATIONS OF RISK - continued

The School maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. The School’s cash accounts routinely exceeds the FDIC limit. However, management does not believe the School is exposed to any significant credit risk on its cash.

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS

For both of the years ended June 30, 2022 and 2021, net assets with donor restrictions totaled \$120,000, and were designated for the purpose of transportation and scholarships.

NOTE O – DONATED FEDERAL COMMODITIES

Each year donated federal commodities are contributed to the School by the U.S. Department of Agriculture’s Department of Defense Food and Nutrition Service Program. Donated federal commodities recorded for the years ended June 30, 2022 and 2021, included food service materials used in the educational services program, and totaled \$56,803 and \$5,967, respectively, and have been included in the statements of activities and functional expenses, as donated federal commodities.

Donated federal commodities are evaluated by the donors based on the estimated fair market value of the goods at the time of the donation, or at the value determined by the federal agency. Unless otherwise noted, donated federal commodities did not have any donor-imposed restrictions.

NOTE P – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 7, 2022, the date the School’s financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

**REPORTS AND SCHEDULES REQUIRED
BY THE UNIFORM GUIDANCE**



CERTIFIED PUBLIC ACCOUNTANTS

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**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***

To the Board of Trustees
Achievement Preparatory Academy Public Charter School
Washington, DC

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 Achievement Preparatory Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Achievement Preparatory Academy Public Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Achievement Preparatory Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Achievement Preparatory Academy Public Charter School'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Achievement Preparatory Academy Public Charter School'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 financial statements. 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 Achievement Preparatory Academy Public Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Achievement Preparatory Academy Public Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "JM & M". The letters are stylized and cursive.

Washington, DC
December 7, 2022



CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Trustees
Achievement Preparatory Academy Public Charter School
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Achievement Preparatory Academy Public Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Achievement Preparatory Academy Public Charter School's major federal programs for the year ended June 30, 2022. Achievement Preparatory Academy Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Achievement Preparatory Academy Public Charter School 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Achievement Preparatory Academy Public Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Achievement Preparatory Academy Public Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Achievement Preparatory Academy Public Charter School's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Achievement Preparatory Academy Public Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Achievement Preparatory Academy Public Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Achievement Preparatory Academy Public Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Achievement Preparatory Academy Public Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Achievement Preparatory Academy Public Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

Auditor's Responsibility for the Audit of Compliance - continued

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Washington, DC
December 7, 2022

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | Assistance Listing Number | Grant Identification Number | Total Federal Expenditures |
|--|------------------------------|--------------------------------|-------------------------------|
| U. S. Department of Education | | | |
| Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE) | | | |
| Title I Grants to Local Educational Agencies | 84.010A | 84.010A | \$ 188,646 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367A | 84.367A | 27,373 |
| DC School Choice Incentive Program | 84.370C | CHOICE | 50,000 |
| Student Support and Academic Enrichment Program | 84.424A | 84.424A | 46,162 |
| COVID 19 - Educations Stabilization Fund under the Coronavirus Aid, Relief, and Economic Stabilization Security Act | 84.425D | A3SERF | 60,277 |
| COVID 19 - Educations Stabilization Fund under the Coronavirus Aid, Relief, and Economic Stabilization Security Act | 84.425D | B3SERF | 750,421 |
| COVID 19 - Educations Stabilization Fund under the Coronavirus Aid, Relief, and Economic Stabilization Security Act | 84.425W | U3425W | 1,381 |
| Total COVID 19 - Educations Stabilization Fund under the Coronavirus Aid, Relief, and Economic Stabilization Security Act | | | <u>812,079</u> |
| Special Education Cluster (IDEA)-Cluster | | | |
| Special Education Grants to States | 84.027A | 611 - C2027A | 25,000 |
| Special Education Grants to States | 84.027X | 611 - C2027X | 8,899 |
| Total Special Education Grants to States | | | <u>33,899</u> |
| Special Education Preschool Grants | 84.173A | 619 - C2173A | 704 |
| Total Special Education Grants to States | | | <u>704</u> |
| Total Special Education Cluster (IDEA)-Cluster | | | <u>34,603</u> |
| Total U.S. Department of Education | | | \$ 1,158,863 |
| U. S. Department of the Treasury | | | |
| Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE) | | | |
| COVID 19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | 79,540 |
| Total U. S. Department of the Treasury | | | <u>79,540</u> |
| U.S. Department of Agriculture - Food and Nutrition Service | | | |
| Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE) | | | |
| COVID 19 - Pandemic EBT Administrative Costs | 10.649 | | 614 |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | | 53,031 |
| Donated Federal Commodities | | | 56,803 |
| National School Lunch Program | 10.555 | | 103,024 |
| Child Nutrition Cluster | | | <u>212,858</u> |
| Total U.S. Department of Agriculture - Food and Nutrition Service | | | <u>213,472</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,451,875</u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Achievement Preparatory Academy Public Charter School under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Achievement Preparatory Academy Public Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Achievement Preparatory Academy Public Charter School.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

Achievement Preparatory Academy Public Charter School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule excludes \$18,429 of federal funds provided under the Federal Communications Commission E-Rate program, which is reported as Federal entitlements and other federal grants revenue in the statement of activities. Funding under the Federal Communications Commission E-Rate program is considered to be federal funds, however, these funds do not qualify as direct financial support, and therefore, are exempt from federal audit requirements.

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued on the financial statements | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No |

Major Programs:

| | |
|--|---|
| Name of Federal Programs or Clusters: | COVID 19 - Educations Stabilization Fund under the Coronavirus Aid, Relief ,and Economic Stabilization Security Act |
| Assistance Listing Numbers: | 84.425D and 84.425W |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022
(continued)**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL
AWARDS**

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

SUPPLEMENTARY SCHEDULES REQUIRED BY DCPCSB

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTARY SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR ABOVE \$25,000
UNAUDITED
YEAR ENDED JUNE 30, 2022

| Award Date | Vendor Name | Goods and/or Services | Minimum Contract Amount | Maximum Contract Amount | Conflict of Interest (Indicate "YES" or "NO") |
|------------|--|------------------------------|-------------------------|-------------------------|---|
| 9/30/2021 | Canon Financial Services | Copier Services | \$ 80,000 | \$ 100,000 | No |
| 7/1/2021 | CareFirst BlueCross BlueShield | Insurance | 200,000 | 300,000 | No |
| 7/7/2021 | Comcast | Internet Provider | 35,000 | 55,000 | No |
| 7/7/2021 | DC Water and Sewer Authority | Utilities | 50,000 | 60,000 | No |
| 7/1/2021 | Dynamic Network Solutions | IT Student and Staff Support | 40,000 | 50,000 | No |
| 7/1/2021 | EdOps | HR and Finance | 200,000 | 230,000 | No |
| 7/1/2021 | Employers Assurance | Insurance | 30,000 | 40,000 | No |
| 7/1/2021 | M and G Services Unlimited Inc | Maintenance and Repairs | 325,000 | 375,000 | No |
| 8/1/2021 | Metropolitan Area Communication Services | Special Education Contractor | 25,000 | 30,000 | No |
| 7/7/2021 | Pepco | Utilities | 59,000 | 85,000 | No |
| 7/1/2021 | Philadelphia Insurance Companies | Insurance | 60,000 | 75,000 | No |
| 9/13/2021 | Reading Partners | Contracted Instruction | 25,000 | 25,500 | No |
| 7/1/2021 | Revolution Foods | Food Services | 200,000 | 225,000 | No |
| 7/1/2021 | The Achievement Network | Student Assessment Materials | 40,000 | 50,000 | No |
| 9/10/2021 | The K12 Search Group | Staff Recruitment | 65,000 | 90,000 | No |
| 7/7/2021 | Washington Gas | Utilities | 28,000 | 45,000 | No |

NOTE: The above schedule includes all contracts that are greater than or equal to \$25,000 awarded to a single vendor during the year ended June 30, 2022, regardless of the service period.

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTARY SCHEDULE OF INCOME
NOT SUBJECT TO DC PCSB ADMINISTRATIVE FEE
YEAR ENDED JUNE 30, 2022**

| | |
|--|----------------------------|
| Total Revenue and Support | \$ 10,085,188 |
| Income not subject to DCPCSB administrative fee | |
| OSSE public charter school reopening facilities grant | 79,540 |
| OSSE grants for COVID-19 | 16,513 |
| Elementary and secondary school emergency relief funding | 812,079 |
| State government grants | 114,673 |
| Income from philanthropy | 72,632 |
| Forgiveness of PPP loan | 1,453,605 |
| Donated services and materials | 56,803 |
| Interest income | 12,102 |
| Total Income not Subject to DCPCSB Administrative Fee | <u><u>\$ 2,617,947</u></u> |