

**ACHIEVEMENT PREPARATORY ACADEMY
PUBLIC CHARTER SCHOOL**

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

JUNE 30, 2019 AND 2018

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Preparatory Academy Public Charter School as of June 30, 2019 and 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 28-29, as required by D.C. Public Charter School Board ("DCPCSB"), are the responsibility of management, are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on these.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Achievement Preparatory Academy Public Charter School's internal control over financial reporting and compliance.

James Maruca & McQuade PA

Washington, DC
November 5, 2019

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 7,426,954	\$ 9,488,582
Cash, restricted	560,238	690,158
Total Cash and Cash, Restricted	7,987,192	10,178,740
Grants receivable	282,724	251,050
Accounts receivable	12,195	21,638
Prepaid expenses	170,842	155,092
Total Current Assets	8,452,953	10,606,520
PROPERTY AND EQUIPMENT, NET	29,898,015	31,188,090
OTHER ASSETS		
Security deposit	12,837	5,900
Total Other Assets	12,837	5,900
TOTAL ASSETS	\$ 38,363,805	\$ 41,800,510
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 262,777	\$ 183,686
Accrued expenses	173,768	204,052
Current portion of long-term debt	-	439,419
Deferred revenue	-	945
Accrued interest payable	115,824	129,655
Total Current Liabilities	552,369	957,757
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	30,841,793	34,001,032
Total Noncurrent Liabilities	30,841,793	34,001,032
TOTAL LIABILITIES	31,394,162	34,958,789
NET ASSETS		
Without donor restrictions	6,846,643	6,718,721
With donor restrictions	123,000	123,000
Total Net Assets	6,969,643	6,841,721
TOTAL LIABILITIES AND NET ASSETS	\$ 38,363,805	\$ 41,800,510

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

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 13,258,948	\$ -	\$ 13,258,948
Per pupil facility allowance	2,688,712	-	2,688,712
Federal entitlements and grants	1,713,366	-	1,713,366
Local grants	31,431	-	31,431
Other grants and contributions	18,535	-	18,535
Activity fees	29,812	-	29,812
Interest income	165,016	-	165,016
Total Revenue and Support	<u>17,905,820</u>	<u>-</u>	<u>17,905,820</u>
EXPENSES			
Program services	15,132,978	-	15,132,978
Management and general	2,637,462	-	2,637,462
Fundraising	7,458	-	7,458
Total Expenses	<u>17,777,898</u>	<u>-</u>	<u>17,777,898</u>
CHANGE IN NET ASSETS	127,922	-	127,922
NET ASSETS, beginning of year	<u>6,718,721</u>	<u>123,000</u>	<u>6,841,721</u>
NET ASSETS, end of year	<u>\$ 6,846,643</u>	<u>\$ 123,000</u>	<u>\$ 6,969,643</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, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 14,821,344	\$ -	\$ 14,821,344
Per pupil facility allowance	3,071,404	-	3,071,404
Federal entitlements and grants	1,431,664	-	1,431,664
Local grants	100,900	-	100,900
Other grants and contributions	16,185	-	16,185
Activity fee	46,069	-	46,069
Interest income	34,351	-	34,351
Total Revenue and Support	<u>19,521,917</u>	<u>-</u>	<u>19,521,917</u>
EXPENSES			
Program services	15,678,966	-	15,678,966
Management and general	2,696,465	-	2,696,465
Fundraising	44,076	-	44,076
Total Expenses	<u>18,419,507</u>	<u>-</u>	<u>18,419,507</u>
CHANGE IN NET ASSETS	1,102,410	-	1,102,410
NET ASSETS, beginning of year	<u>5,616,311</u>	<u>123,000</u>	<u>5,739,311</u>
NET ASSETS, end of year	<u><u>\$ 6,718,721</u></u>	<u><u>\$ 123,000</u></u>	<u><u>\$ 6,841,721</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, 2019

	Program Services	Management and General	Fundraising	Total
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 6,440,500	\$ 928,650	\$ -	\$ 7,369,150
Employee benefits	368,372	52,185	-	420,557
Payroll taxes	542,902	73,096	-	615,998
Contracted staff	232,484	-	-	232,484
Professional development	466,109	26,444	-	492,553
Total Personnel, Salaries and Benefits	<u>8,050,367</u>	<u>1,080,375</u>	<u>-</u>	<u>9,130,742</u>
DIRECT STUDENT COSTS				
Supplies and materials	159,642	-	-	159,642
Contracted student services	317,022	-	-	317,022
Food service/catering	617,765	-	-	617,765
Student assessments	55,170	-	-	55,170
Other student costs	56,890	-	-	56,890
Total Direct Student Costs	<u>1,206,489</u>	<u>-</u>	<u>-</u>	<u>1,206,489</u>
OCCUPANCY EXPENSES				
Maintenance and repairs	161,165	40,291	-	201,456
Janitorial services	701	176	-	877
Utilities	164,398	41,099	-	205,497
Contracted building services	338,716	84,678	-	423,394
Total Occupancy Expenses	<u>664,980</u>	<u>166,244</u>	<u>-</u>	<u>831,224</u>
OFFICE EXPENSES				
Office supplies and materials	49,469	12,367	-	61,836
Equipment rental	52,526	13,132	-	65,658
Equipment repairs and maintenance	7,867	1,967	-	9,834
Telecommunications	57,315	14,329	-	71,644
Postage and shipping	1,780	445	-	2,225
Total Office Expenses	<u>168,957</u>	<u>42,240</u>	<u>-</u>	<u>211,197</u>
GENERAL EXPENSES				
Insurance	57,551	14,387	-	71,938
Administration fee	-	159,467	-	159,467
Accounting, auditing and payroll	-	155,208	-	155,208
Legal fees	144,209	40,343	-	184,552
Computer support fees	90,826	22,707	-	113,533
Other professional fees	-	329,804	-	329,804
Depreciation and amortization	1,056,917	264,230	-	1,321,147
Fundraising	-	-	7,458	7,458
Dues, fees and fines	-	22,044	-	22,044
Interest	1,361,656	340,413	-	1,702,069
Management fee	2,331,026	-	-	2,331,026
Total General Expenses	<u>5,042,185</u>	<u>1,348,603</u>	<u>7,458</u>	<u>6,398,246</u>
Total Expenses	<u>\$ 15,132,978</u>	<u>\$ 2,637,462</u>	<u>\$ 7,458</u>	<u>\$ 17,777,898</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, 2018**

	Program Services	Management and General	Fundraising	Total
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 6,787,531	\$ 1,011,242	\$ -	\$ 7,798,773
Employee benefits	385,807	57,480	-	443,287
Payroll taxes	545,099	81,212	-	626,311
Contracted staff	377,082	2,506	-	379,588
Professional development	329,657	24,951	-	354,608
Total Personnel, Salaries and Benefits	<u>8,425,176</u>	<u>1,177,391</u>	-	<u>9,602,567</u>
DIRECT STUDENT COSTS				
Supplies and materials	93,411	-	-	93,411
Library and media center materials	-	-	-	-
Contracted student services	501,779	-	-	501,779
Food service/catering	600,436	-	-	600,436
Student assessments	93,827	-	-	93,827
Other student costs	66,545	-	-	66,545
Total Direct Student Costs	<u>1,355,998</u>	-	-	<u>1,355,998</u>
OCCUPANCY EXPENSES				
Maintenance and repairs	104,522	26,131	-	130,653
Utilities	155,777	38,944	-	194,721
Contracted building services	243,244	60,811	-	304,055
Total Occupancy Expenses	<u>503,543</u>	<u>125,886</u>	-	<u>629,429</u>
OFFICE EXPENSES				
Office supplies and materials	40,629	10,157	-	50,786
Equipment rental	47,714	11,929	-	59,643
Equipment repairs and maintenance	28,562	7,140	-	35,702
Telecommunications	52,994	13,248	-	66,242
Postage and shipping	3,154	789	-	3,943
Total Office Expenses	<u>173,053</u>	<u>43,263</u>	-	<u>216,316</u>
GENERAL EXPENSES				
Insurance	59,636	14,909	-	74,545
Administration fee	-	174,978	-	174,978
Accounting, auditing and payroll	-	150,221	-	150,221
Legal fees	197,055	25,329	-	222,384
Computer support fees	77,531	19,383	-	96,914
Other professional fees	-	328,148	-	328,148
Depreciation and amortization	1,163,999	135,177	-	1,299,176
Fundraising	-	-	44,076	44,076
Dues, fees and fines	-	25,819	-	25,819
Interest	1,280,556	475,961	-	1,756,517
Management fee	2,442,419	-	-	2,442,419
Total General Expenses	<u>5,221,196</u>	<u>1,349,925</u>	<u>44,076</u>	<u>6,615,197</u>
Total Expenses	<u>\$ 15,678,966</u>	<u>\$ 2,696,465</u>	<u>\$ 44,076</u>	<u>\$ 18,419,507</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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 127,922	\$ 1,102,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,321,147	1,299,176
Finance cost amortization	114,708	155,822
(Increase) decrease in assets:		
Grants receivable	(31,674)	(39,308)
Accounts receivable	9,443	9,443
Prepaid expenses	(15,750)	(139,462)
Security deposit	(6,937)	-
Increase (decrease) in liabilities:		
Accounts payable	79,091	(247,961)
Accrued expenses	(30,284)	44,419
Deferred revenue	(945)	(22,386)
Accrued interest payable	(13,831)	1,303
Net Cash Provided by Operating Activities	1,552,890	2,163,456
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(31,072)	(488,647)
Net Cash Used for Investing Activities	(31,072)	(488,647)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(3,713,366)	(345,827)
Net Cash Used for Financing Activities	(3,713,366)	(345,827)
 NET (DECREASE) INCREASE IN CASH	(2,191,548)	1,328,982
 CASH AND CASH RESTRICTED, beginning of year	10,178,740	8,849,758
 CASH AND CASH RESTRICTED, end of year	\$ 7,987,192	\$ 10,178,740
 SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 1,601,192	\$ 1,599,392

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

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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’s mission is to prepare students to excel as high-achieving scholars and leaders in high school, college, and beyond. Critical to 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 (per pupil funding) 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

For the year ended June 30, 2019, the School adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued

Adoption of New Accounting Pronouncement – continued

provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented.

A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Financial Statements of Not-For-Profit organizations. In accordance with the topic, 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 permanently 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 statement of activities as net assets released from restrictions.

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.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash

Cash include 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 or cash equivalents.

Restricted Cash

Restricted cash is comprised of cash required to be maintained in separate accounts in accordance with debt agreements.

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 is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the term of the lease or useful life of the asset, whichever is shorter. Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred.

Grants and Accounts Receivable

Grants receivable consist of unsecured amounts from public funding sources whose ability to pay are subject to appropriations. Grants and accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due grants and accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2019 and 2018, the majority of the receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

Per Pupil Appropriations

Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$3,601,308 and \$3,992,414 for the years ended June 30, 2019 and 2018, respectively, for enhancements, such as special education, English language learners, and at-risk students.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Debt Issuance Costs

Cost incurred in the issuance of debt have been capitalized and are reported on the statement 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, 2019 and 2018 totaled \$114,708 and \$155,822, respectively.

Contributions and Grants

Contributions received are recorded as increases net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When restrictions are met within the same year as restricted funds are contributed, they are classified as contributions without donor restrictions.

Deferred Revenue

Deferred revenue results from government grants and other revenue received in advance of services to be provided.

Activity Fees

Activity fees are recognized at the time of the activity. This revenue is amounts collected from students from, but not restricted to, field trips, camps and other school related activities.

Reclassifications

Certain amounts for the year ended June 30, 2018 have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting 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 costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

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 has adopted the accounting of uncertainty in income taxes as required by the *Income Taxes* topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for the years ending June 30, 2016 to 2018. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available 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 operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

	2019	2018
Cash	\$ 7,426,954	\$ 9,488,582
Current receivable	294,919	272,688
Total Financial Assets	7,721,873	9,761,270
Encumbered net assets with donor restrictions for the next one year	(123,000)	(123,000)
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	\$ 7,598,873	\$ 9,638,270

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE E – PROPERTY AND EQUIPMENT

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

	2019	2018
Computers and computer applications	\$ 792,239	\$ 782,283
Classroom furnishings	979,470	978,145
Office furnishings	78,116	75,413
Leasehold improvements	32,730,138	32,713,051
	34,579,963	34,548,892
Less accumulated depreciation	(4,681,948)	(3,360,802)
Property and Equipment, Net	\$ 29,898,015	\$ 31,188,090

Depreciation expense for the years ended June 30, 2019 and 2018, totaled \$1,321,147 and \$1,299,176, respectively.

NOTE F – NOTES PAYABLE

Construction Financing

During May 2015, the School secured loans to finance construction and renovation of the School’s facility and payment of facility rent for \$24,075,000 from Bank of America (“BOA Loan”). The BOA Loan is collateralized by all real and personal property of the School.

Amendments to the terms of the BOA Loan were made during December 2015 in connection with the New Market Tax Credit program (described below). As of June 30, 2019 and 2018, the BOA Loan had an outstanding principal balance of \$0 and \$3,713,366, respectively. The School fully paid off the BOA Loan principal balance of \$3,273,947 on June 27, 2019.

New Market Tax Credit

During December 2015, the School became a participant to 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 \$23,800,000 to the School to finance renovations of the School and construction of a middle school. The NMTC program financing consists of four

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE F – NOTES PAYABLE – continued

loans (“NMTC Loans”) each scheduled to mature December 2040. The NMTC Loans accrue interest at fixed rates as stated in the table below. 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”), an additional CDE was formed to provide additional qualified funding of \$7,744,480 to the School under the NMTC program to finance improvements to the middle and elementary school and retire previous debts. The additional financing consists of three loans (“NMTC Loans 2”) that are scheduled to mature after 2023.

The NMTC Loans 2 accrue interest at fixed rates as stated in the table below. Interest only payments are due quarterly through May 2024, with 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. The NMTC loans 2 are collateralized by the assets of the School.

The aforementioned loan agreements contain certain restricted, financial, and nonfinancial covenants. In the opinion of management, the School has complied with the required covenants.

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

	2019	2018
	<u> </u>	<u> </u>
BOA Loan (6.25%)	\$ -	\$ 3,713,366
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
	<u>31,544,480</u>	<u>35,257,846</u>
Less: current portion	-	(439,419)
Less: deferred financing costs, net of accumulated amortization	(702,687)	(817,395)
	<u>\$ 30,841,793</u>	<u>\$ 34,001,032</u>

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE F – NOTES PAYABLE – continued

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

	2019	2018
Deferred financing costs	\$ 1,171,584	\$ 1,230,680
Less accumulated amortization	(468,897)	(413,285)
	\$ 702,687	\$ 817,395

Interest expense totaled \$1,702,069 and \$1,756,517, including amortization of deferred financing costs of \$114,708 and \$155,822 for the years ended June 30, 2019 and 2018, respectively.

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

2020	\$	-
2021		-
2022		-
2023		2,162,323
2024		1,189,318
Thereafter		28,192,839
Total		\$ 31,544,480

NOTE G – LEASE COMMITMENTS

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 September 1, 2016. The annual base rent is \$777,000 for the first year and will be increased 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 construction, capital alteration and leasehold acquisitions costs were higher than the rent expense for the lease term, there is no rent expense recognized 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, 2019 AND 2018
(continued)

NOTE H – MANAGEMENT AGREEMENT

Effective 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 is effective for five years and scheduled to terminate June 30, 2021. 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 of at least 120 days prior to expiration.

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 summer school revenue received. Management fees incurred under the agreement for the years ended June 30, 2019 and 2018, totaled \$2,331,026 and \$2,442,419, respectively.

NOTE I – COMMITMENTS AND CONTINGENT LIABILITIES

The School receives revenue from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The school is of the opinion that disallowance, if any, arising from such audits will not have a material effect on the financial statements. The School has no provisions for the possible disallowance of program costs on its financial statements.

NOTE J – CONCENTRATION OF RISK

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2019 and 2018, 89% and 92%, respectively, of the total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School’s programs and activities. Geographical area of clients served is Ward 8 of the District of Columbia.

As of June 30, 2019 and 2018, the School had cash that exceeded federally insured limits by approximately \$6,940,000 and \$9,100,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE K – PENSION PLAN

The School sponsors a 401(K) Plan (the Plan”) for all employees who are at least 18 years of age. Eligible employees can become participants on the first day of the month following the completion of eligibility requirements. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School matches the first three percent of a participant’s compensation that is deferred as an elective deferral. For the years ended June 30, 2019 and 2018, pension expense totaled \$84,634 and \$74,764, respectively.

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018, totaled \$123,000 and \$123,000, respectively, and were designated for the purpose of transportation and scholarships for the students of the Septima Clark Public Charter School which closed in 2013.

NOTE M – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through November 5, 2019, the date the School’s financial statements were available to be issued. Management has determined that, except as noted above, there are no subsequent events that require disclosure pursuant to the subsequent event topic.

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



**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***

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 the *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), (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 November 5, 2019.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Marusa & M^oQuade PA

Washington, DC
November 5, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited Achievement Preparatory Academy Public Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Jane Harwood & M^oQuade PA

Washington, DC
November 5, 2019

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	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	84.010	62010A, 72010A	\$ 561,304
Supporting Effective Instruction State Grants	84.367	62367A, 72367A	108,314
Special Education Grants to States	84.027	72027A	171,760
DC Opportunity Scholarship Program	84.370	84.370C	193,600
Student Support and Academic Enrichment Program	84.424		56,487
Education for Homeless Children and Youth	84.196		16,357
Total U.S. Department of Education			<u>1,107,822</u>
U. S. Department of Justice			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2015-CK-BX-0016	14,380
U.S. Department of Agriculture - Food and Nutrition Service			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Fresh Fruit and Vegetable Program	10.582		42,581
Child Nutrition Cluster			
School Breakfast Program	10.553		154,982
National School Lunch Program	10.555		342,473
Child Nutrition Cluster			497,455
Total U.S. Department of Agriculture			<u>540,036</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,662,238</u>

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2019. 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”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

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. The School elected not to use the 10 percent de minimus indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule exclude \$33,578 and \$15,642 of federal funds provided under the Federal Communications Commission E-Rate and Medicaid program, respectively, which are reported as federal entitlements and grant revenue in the statement of activities. Funding under the E-Rate and the Medicaid program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Federal Audit requirements.

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies	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 weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	None reported

Major programs

Name of Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
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
YEAR ENDED JUNE 30, 2019
(continued)**

SECTION II – FINANCIAL STATEMENTS FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
AppleTree Institute	Pre-K management services	\$ 2,331,026
ADP	Payroll/retirement services	39,185
Amazon	School/office supplies	29,578
Archangel Global Security	Security services	81,150
Axis Talent Partners	Staff recruiting	75,500
Bank of America	Loan payments	199,975
Brustein and Manasevit	Legal services	144,209
Canon Financial Services	Copier rental	43,351
Canon Solutions America	Copier services	32,868
Capitol Boiler Works	Maintenance services	79,885
City First Capital 41, LLC	Loan payments	409,424
City First Capital 45, LLC	Loan payments	542,974
City Year	Contracted staff	90,000
Community Urban Revitalization Enterprises VIII	Loan payments	546,672
D.C. Public Charter School Board	Authorizer fee	154,540
DC WASA	Utilities	88,253
Dynamic Network Solutions	Computer services	70,918
EdOps	Finance, HR and data services	182,970
Employers Assurance	Workers compensation insurance	60,314
End-to-End Solutions	Special education services	76,280
Enriched Schools	Contracted staff	179,700
Kelly and Associates Insurance Group	Health insurance	443,810
Kelly Services	Contracted staff	65,793
Kone	Maintenance services	28,682
M and G Services	Janitorial services	436,258
Metropolitan Area Communication Services	Special education services	54,444
Pepco	Utilities	81,922
Philadelphia Insurance Companies	Business insurance	68,042
Revolution Foods	Food service	594,941
School Leader Lab	Professional development	105,538
Staples Advantage	School/office supplies	39,985
Teach for America	Staff recruiting	40,000
Washington Gas	Utilities	25,145

Note: The above schedule includes all vendors/contractors paid greater than or \$25,000 for which either a formal contract was executed or no formal contract was entered into, executed or negotiated.

**ACHIEVEMENT PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000
YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approximate</u>
NONE		

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2019 for services that will amount to more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2019.