

APPLETREE EARLY LEARNING  
PUBLIC CHARTER SCHOOL

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

**KENDALL, PREBOLA AND JONES**

Certified Public Accountants

PO BOX 259

BEDFORD, PENNSYLVANIA 15522-0259

(814) 623-1880

FAX (814) 623-7548

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
AppleTree Early Learning  
Public Charter School  
1801 Mississippi Avenue, SE  
Washington, DC 20020

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

We have audited the accompanying financial statements of the AppleTree Early Learning Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 audits 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 the AppleTree Early Learning Public Charter School, as of June 30, 2020 and 2019, 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.

### ***Emphasis-of-Matter***

As discussed in Note 3 to the financial statements, an error resulting in the understatement of amounts previously reported for accounts receivable as of June 30, 2019, and cumulative Medicaid revenues through the year ended June 30, 2019, were discovered by management of the AppleTree Early Learning Public Charter School. Accordingly, amounts reported for accounts receivable and Medicaid revenues have been restated as of July 1, 2018, to correct the error. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### **Supplementary Information**

Our audits were 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

#### **Other Information**

We have audited the financial statements of the AppleTree Early Learning Public Charter School as of and for the years ended June 30, 2020 and 2019, and our report thereon dated September 15, 2020, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of the AppleTree Early Learning 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the AppleTree Early Learning 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 the AppleTree Early Learning Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
September 15, 2020

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>As Restated June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 4,618,803	\$ 2,275,780
Accounts Receivable	260,191	328,748
Promises Receivable	95,330	56,926
Due from Related Parties, Net	-	78,629
Prepaid Expenses	<u>124,572</u>	<u>30,704</u>
Total Current Assets	<u>\$ 5,098,896</u>	<u>\$ 2,770,787</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 9,165,827</u>	<u>\$ 9,464,031</u>
Total Fixed Assets	<u>\$ 9,165,827</u>	<u>\$ 9,464,031</u>
<u>Other Assets:</u>		
Restricted Cash, Held in Trust	\$ 1,876,296	\$ 1,654,761
Accounts Receivable - Long Term	90,000	85,266
Deposits	<u>155,000</u>	<u>140,000</u>
Total Other Assets	<u>\$ 2,121,296</u>	<u>\$ 1,880,027</u>
TOTAL ASSETS	<u>\$ 16,386,019</u>	<u>\$ 14,114,845</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 162,235	\$ 287,226
Due to Related Parties, Net	144,768	-
Income Taxes Payable	-	2,950
Accrued Wages and Salaries	680,523	699,198
Payroll Taxes and Related Liabilities	59,663	120,943
Accrued Interest	-	9,721
Refundable Advance	362,455	446
Grant Payable	100,000	100,000
Related Party - Note, Current Portion	215,718	238,273
Financing Lease Obligation, Current Portion	<u>16,095</u>	<u>4,312</u>
Total Current Liabilities	<u>\$ 1,741,457</u>	<u>\$ 1,463,069</u>
<u>Long-Term Liabilities:</u>		
Bonds Payable	\$ 3,392,959	\$ 3,373,590
Related Party - Note, Net of Current Portion	1,878,962	2,094,680
Financing Lease Obligation, Net of Current Portion	<u>15,397</u>	<u>5,782</u>
Total Long-Term Liabilities	<u>\$ 5,287,318</u>	<u>\$ 5,474,052</u>
Total Liabilities	<u>\$ 7,028,775</u>	<u>\$ 6,937,121</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 8,246,140	\$ 7,177,724
Board Designated	1,000,000	-
With Donor Restrictions	<u>111,104</u>	<u>-</u>
Total Net Assets	<u>\$ 9,357,244</u>	<u>\$ 7,177,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,386,019</u>	<u>\$ 14,114,845</u>

(See Accompanying Notes and Auditor's Report)

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>			<u>June 30, 2019 - As Restated</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 9,450,284	\$ -	\$ 9,450,284	\$ 10,660,885	\$ -	\$ 10,660,885
Tuition - Facilities Allowance	1,814,240	-	1,814,240	2,101,372	-	2,101,372
Contributions - Federal Awards	756,030	-	756,030	1,066,657	-	1,066,657
Contributions - State Awards	393,147	-	393,147	226,488	-	226,488
Contributions - Paycheck Program	1,633,945	-	1,633,945	-	-	-
Contributions and Donations	10,070	356,128	366,198	10,457	124,154	134,611
Service Fees	109,000	-	109,000	309,510	-	309,510
Student Activity Fees and Other	194,426	-	194,426	290,524	-	290,524
Interest and Dividends	22,355	-	22,355	23,680	-	23,680
Donated Services and Materials	-	-	-	4,946	-	4,946
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>245,024</u>	<u>(245,024)</u>	<u>-</u>	<u>124,154</u>	<u>(124,154)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 14,628,521</u>	<u>\$ 111,104</u>	<u>\$ 14,739,625</u>	<u>\$ 14,818,673</u>	<u>\$ -</u>	<u>\$ 14,818,673</u>
<u>Expenses and Losses:</u>						
Educational Services	\$ 11,221,876	\$ -	\$ 11,221,876	\$ 12,385,524	\$ -	\$ 12,385,524
General and Administrative	1,332,059	-	1,332,059	1,788,411	-	1,788,411
Fundraising	<u>6,170</u>	<u>-</u>	<u>6,170</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 12,560,105</u>	<u>\$ -</u>	<u>\$ 12,560,105</u>	<u>\$ 14,173,935</u>	<u>\$ -</u>	<u>\$ 14,173,935</u>
Loss on Campus Closure	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,039</u>	<u>\$ -</u>	<u>\$ 59,039</u>
Total Expenses and Losses	<u>\$ 12,560,105</u>	<u>\$ -</u>	<u>\$ 12,560,105</u>	<u>\$ 14,232,974</u>	<u>\$ -</u>	<u>\$ 14,232,974</u>
Changes in Net Assets	<u>\$ 2,068,416</u>	<u>\$ 111,104</u>	<u>\$ 2,179,520</u>	<u>\$ 585,699</u>	<u>\$ -</u>	<u>\$ 585,699</u>
Net Assets, Beginning of Year, as Previously Reported	\$ 7,177,724	\$ -	\$ 7,177,724	\$ 6,447,288	\$ -	\$ 6,447,288
Adjustment for Restatement of Net Assets, Beginning Balance (Note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,737</u>	<u>-</u>	<u>144,737</u>
Net Assets, End of Year, As Restated	<u>\$ 9,246,140</u>	<u>\$ 111,104</u>	<u>\$ 9,357,244</u>	<u>\$ 7,177,724</u>	<u>\$ -</u>	<u>\$ 7,177,724</u>

(See Accompanying Notes and Auditor's Report)

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Leadership Salaries	\$ 859,264	\$ 819,435	\$ 39,829	\$ -	\$ 1,126,896	\$ 1,062,854	\$ 64,042	\$ -
Teaching Staff Salaries	5,148,880	5,127,508	21,372	-	5,838,262	5,838,262	-	-
Student and Family Support Salaries	618,370	618,370	-	-	628,229	628,229	-	-
Business and Operations Salaries	1,026,091	306,257	719,834	-	1,059,262	28,041	1,031,221	-
Shared Administrative Support	491,569	281,011	204,388	6,170	518,627	122,073	396,554	-
Leased Employees, Net	(1,151,961)	(768,978)	(382,983)	-	(1,291,897)	(811,916)	(479,981)	-
Employee Benefits	1,226,640	1,126,120	100,520	-	1,245,296	1,087,665	157,631	-
Payroll Taxes	671,504	604,205	67,299	-	749,654	654,762	94,892	-
Staff Development	126,397	126,397	-	-	126,901	126,901	-	-
Other Staff-Related Expense	<u>83,298</u>	<u>76,944</u>	<u>6,354</u>	<u>-</u>	<u>141,507</u>	<u>123,294</u>	<u>18,213</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 9,100,052</u>	<u>\$ 8,317,269</u>	<u>\$ 776,613</u>	<u>\$ 6,170</u>	<u>\$ 10,142,737</u>	<u>\$ 8,860,165</u>	<u>\$ 1,282,572</u>	<u>\$ -</u>
<u>Direct Student Costs:</u>								
Textbooks and Assessment Materials	\$ 23,271	\$ 23,271	\$ -	\$ -	\$ 32,739	\$ 32,739	\$ -	\$ -
Food Service	267,794	267,794	-	-	472,051	472,051	-	-
Student Supplies and Materials	51,041	51,041	-	-	73,865	73,865	-	-
Contracted Instruction Fees	105,063	105,063	-	-	115,200	115,200	-	-
Special Education Contracted Services	88,379	88,379	-	-	155,806	155,806	-	-
Field Trips	15,731	15,731	-	-	25,778	25,778	-	-
Other Student Costs	<u>95,572</u>	<u>95,572</u>	<u>-</u>	<u>-</u>	<u>141,675</u>	<u>141,675</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 646,851</u>	<u>\$ 646,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,114</u>	<u>\$ 1,017,114</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 988,507	\$ 875,725	\$ 112,782	\$ -	\$ 1,001,123	\$ 901,517	\$ 99,606	\$ -
Contracted Building Services	122,093	121,103	990	-	155,359	155,359	-	-
Utilities	115,309	104,821	10,488	-	153,845	143,700	10,145	-
Maintenance and Improvements	133,300	129,235	4,065	-	174,793	168,975	5,818	-
Interest Expense	111,844	111,844	-	-	114,944	114,944	-	-
Depreciation and Amortization	<u>373,529</u>	<u>373,529</u>	<u>-</u>	<u>-</u>	<u>452,380</u>	<u>452,380</u>	<u>-</u>	<u>-</u>
Total Occupancy Costs	<u>\$ 1,844,582</u>	<u>\$ 1,716,257</u>	<u>\$ 128,325</u>	<u>\$ -</u>	<u>\$ 2,052,444</u>	<u>\$ 1,936,875</u>	<u>\$ 115,569</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)



APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Equipment Rental and Maintenance	\$ 16,640	\$ 14,002	\$ 2,638	\$ -	\$ 42,406	\$ 37,963	\$ 4,443	\$ -
Office Supplies	156,420	125,265	31,155	-	166,056	129,128	36,928	-
Postage and Shipping	563	55	508	-	293	42	251	-
Professional Services	333,573	74,849	258,724	-	266,011	63,308	202,703	-
Office Printing and Copying	903	-	903	-	5,150	51	5,099	-
Telecommunications	60,102	18,919	41,183	-	57,229	20,323	36,906	-
Interest - Bond Issuance Costs	19,369	19,369	-	-	19,369	19,369	-	-
Service Charge	<u>4,076</u>	<u>-</u>	<u>4,076</u>	<u>-</u>	<u>4,040</u>	<u>-</u>	<u>4,040</u>	<u>-</u>
Total Office Expenses	<u>\$ 591,646</u>	<u>\$ 252,459</u>	<u>\$ 339,187</u>	<u>\$ -</u>	<u>\$ 560,554</u>	<u>\$ 270,184</u>	<u>\$ 290,370</u>	<u>\$ -</u>
<u>General Expenses:</u>								
Authorizer Fees	\$ 114,454	\$ 97,286	\$ 17,168	\$ -	\$ 131,132	\$ 111,462	\$ 19,670	\$ -
Insurance	47,395	-	47,395	-	51,789	-	51,789	-
Income Taxes	-	-	-	-	3,031	-	3,031	-
Scholarship Contribution	100,000	100,000	-	-	100,000	100,000	-	-
Depreciation	70,887	70,887	-	-	73,034	73,034	-	-
Other General Expenses	<u>44,238</u>	<u>20,867</u>	<u>23,371</u>	<u>-</u>	<u>42,100</u>	<u>16,690</u>	<u>25,410</u>	<u>-</u>
Total General Expenses	<u>\$ 376,974</u>	<u>\$ 289,040</u>	<u>\$ 87,934</u>	<u>\$ -</u>	<u>\$ 401,086</u>	<u>\$ 301,186</u>	<u>\$ 99,900</u>	<u>\$ -</u>
Total Functional Expenses	<u>\$ 12,560,105</u>	<u>\$ 11,221,876</u>	<u>\$ 1,332,059</u>	<u>\$ 6,170</u>	<u>\$ 14,173,935</u>	<u>\$ 12,385,524</u>	<u>\$ 1,788,411</u>	<u>\$ -</u>

(See Accompanying Notes and Auditor's Report)

**APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>June 30, 2020</u>	<u>As Restated June 30, 2019</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Changes in Net Assets	\$ 2,179,520	\$ 585,699
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	444,416	525,414
Amortization - Bond Issuance Costs	19,369	19,369
Accounts Receivable - (Increase)/Decrease	63,823	(185,177)
Promises Receivable - (Increase)/Decrease	(38,404)	134,498
Due From/(To) Related Parties, Net - (Increase)/Decrease	223,397	(6,204)
Prepaid Expenses - (Increase)/Decrease	(93,868)	96,842
Deposits - (Increase)/Decrease	(15,000)	(90,000)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(124,991)	19,959
Income Taxes Payable - Increase/(Decrease)	(2,950)	933
Accrued Wages and Salaries - Increase/(Decrease)	(18,675)	50,990
Payroll Taxes and Related Liabilities - Increase/(Decrease)	(61,280)	22,674
Accrued Interest - Increase/(Decrease)	(9,721)	9,721
Refundable Advance - Increase/(Decrease)	<u>362,009</u>	<u>156</u>
Net Cash Flows from Operating Activities	<u>\$ 2,927,645</u>	<u>\$ 1,184,874</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Purchase of Building and Land	\$ -	\$ (6,268,710)
Purchase of Furniture and Equipment	<u>(146,212)</u>	<u>(109,369)</u>
Net Cash Flows from Investing Activities	<u>\$ (146,212)</u>	<u>\$ (6,378,079)</u>
<b><u>Cash Flows from Financing Activities:</u></b>		
Repayments to Related Party - Loan	\$ (238,273)	\$ (323,099)
Principal Payments on Financing Lease Obligations	(12,502)	(4,120)
Proceeds on Loan Payable from Related Party	-	2,656,052
Proceeds from Financing Leases	<u>33,900</u>	<u>14,214</u>
Net Cash Flows from Financing Activities	<u>\$ (216,875)</u>	<u>\$ 2,343,047</u>
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	\$ 2,564,558	\$ (2,850,158)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>3,930,541</u>	<u>6,780,699</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 6,495,099</u>	<u>\$ 3,930,541</u>

**Supplemental Disclosures:**

- a) Income taxes in the amount of \$2,017 were paid during the year ended June 30, 2019.
- b) Interest in the amount of \$121,565 and \$105,223 was paid during the years ended June 30, 2020 and 2019, respectively.

**Non-Cash Investing Activities:**

- a) During the year ended June 30, 2019, the purchase of furniture and equipment includes an amount of \$2,037 representing donated equipment.

**Non-Cash Financing Activities:**

- a) The Charter School had non-cash financing transactions relating to financing leases on new equipment of \$33,900.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and Cash Equivalents	\$ 4,618,803	\$ 2,275,780
Restricted Cash - Held in Trust	<u>1,876,296</u>	<u>1,654,761</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 6,495,099</u>	<u>\$ 3,930,541</u>

(See Accompanying Notes and Auditor's Report)

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The AppleTree Early Learning Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation, was incorporated on September 22, 2004, exclusively for educational purposes. The mission of the Charter School is to close the achievement gap before children get to kindergarten by providing three and four-year-old children with the social, emotional, and cognitive foundations that will enable them to succeed in school.

**Description of Program Services**

The Charter School is open to any Washington, DC child in pre-school and pre-kindergarten and admission is free. The Charter School currently serves 544 children at five public charter preschool campuses across the District and each campus is rated a Tier I. In 2020, the Charter School successfully concluded its fifteen-year charter review with its authorizer, the DC Public Charter School Board, and received a charter renewal for an additional fifteen years.

The Charter School utilizes the comprehensive and evidence-based *Every Child Ready* instructional model that was developed by AppleTree Institute for Education Innovation with the assistance of an Investing in Innovation (i3) grant from the US Department of Education. The model builds language, literacy, and memory skills using regular assessments and data outcomes throughout the school year. Emphasis is placed on student growth, differentiated by an individual student's baseline knowledge.

The Charter School's primary sources of support are local appropriations for charter schools from the District of Columbia. The Charter School also receives federal funding through the Office of the State Superintendent of Education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

**Federal and Charter School Funding**

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Extended Learning Day Program**

The Charter School offers fee-based extended day programming for its students. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on program income guidelines.

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions to the Charter School qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii).

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

Under IRC Section 512(a)(7) (the parking and transit tax), certain transportation benefits were subject to unrelated business income tax. On December 20, 2019 the Taxpayer Certainty and Disaster Tax Relief Act of 2019 provided certain technical corrections and amendments, among them the repeal of the parking and transit tax. During the year ended June 30, 2019, the Charter School recognized \$2,059 of income tax expense related to the filing of the 990-T tax return. In addition, \$972 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits.

The Charter School is also exempt from District of Columbia sales, real estate and personal property taxes.

(d) Government Grants:

The Charter School receives grants from federal and state governmental agencies for the purpose of providing a social benefit to the general public. Government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the charter school to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivables are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended as of year-end, are reflected as a refundable advance.

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization. During the year ended June 30, 2020, the Board designated \$1,000,000 as an operating reserve to address the economic impact caused by the pandemic.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net Assets with donor restrictions were available at year end for the following programs:

<u>Purpose or Time Restricted:</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Teacher Residency Diverse Teachers Initiative	\$ 107,766	\$ -
Academic Partnering Funds	1,932	-
Special Education Consultation Model	<u>1,406</u>	<u>-</u>
Total Net Assets with Donor Restrictions	<u>\$ 111,104</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Teacher Residency Diverse Teachers Initiative	\$ 142,234	\$ -
Special Education Consultation Model	48,594	-
Covid-19 Emergency Use Funds	22,720	-
Family Engagement Parent Cafes	20,000	-
Academic Partnering Funds	11,476	10,518
New Site Development Program	<u>-</u>	<u>113,636</u>
Total Net Assets Released from Restrictions	<u>\$ 245,024</u>	<u>\$ 124,154</u>

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services, Materials and Facilities:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized. In-kind contributions for space, supplies, and professional services are recorded in the statement of activities at estimated fair value and recognized as revenue and expense in the period they are received, except for donated fixed assets, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Legal Consulting	\$ -	\$ 2,909
Playground materials	<u>-</u>	<u>2,037</u>
Total	<u>\$ -</u>	<u>\$ 4,946</u>

A number of volunteers donated significant amounts of their time in the Charter School's supporting services for which no value has been assigned. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services.

(g) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission of providing an educational foundation for preschool children. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Functional Expense Allocation Policies and Procedures: (Continued)

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, food service, student events, bussing, and textbooks. In addition, depreciation of assets and interest on loans has been reflected as a direct program cost because these costs relate solely to the purchasing of assets for education services.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on activity reports of time spent on particular activities.
- Costs of professional fees, computer support fees, legal and accounting, dues and fees, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including travel, meals and events, recruiting, and background checks are generally allocated between administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages, however wages paid to executive staff are eliminated when arriving at the allocation percentage.
- Shared costs (office supplies, telephone, copier rental, postage and office equipment) are identified as either being campus/student related or central office related. Central office expenses are supporting services and relate solely to one campus where certain administrative staff are housed.
- Costs for facilities such as rent, utilities, maintenance and repairs are identified as either being campus/student related or central office related. Expenses at the central office location are allocated between supporting and program services based on a predetermined agreement developed by management of the Charter School.

(h) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.



APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(j) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from the prior years.

(l) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2018-18 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities. This standard also provides additional guidance to determine whether grants and contracts from the federal, state and local governments should be classified as a contribution or an exchange transaction.

The changes had no effect on net assets at July 1, 2019.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

3. PRIOR PERIOD ADJUSTMENT:

The financial statements for the year ended June 30, 2019, have been restated to change the methodology related to the recording of revenues under the Medicaid Program. In previously issued financial statements, the Charter School did not record accounts receivable from the District of Columbia, Department of Health Care Finance for Medicaid program cost reimbursements. Reimbursement cost reports were submitted to the District of Columbia Government; however, payment was not made to the Charter School for a cumulative period of three years. Actual reimbursements are not made until the cost reports are audited by an independent certified public accounting firm. Because of a delay with the District's program audits, during the year ended June 30, 2020, three separate payments were received representing the three previous years cost reimbursements as follows:

June 30, 2017	\$ 71,601
June 30, 2018	73,136
June 30, 2019	<u>85,266</u>
Total Prior Period Adjustment	<u>\$ 230,003</u>

Accounting standards require revenues to be recognized when the amounts can be reasonably estimated and when payment is likely. Although payments were not made by the District of Columbia government in a timely manner, these payments met the requirements to be recognized as revenue in each of the respective fiscal years.

This adjustment increased net assets without donor restrictions and accounts receivable for the year ended June 30, 2018 by an amount of \$144,737. In addition, revenues, accounts receivable and changes in unrestricted net assets all increased by an amount of \$85,266 for the year ended June 30, 2019. The effect of this change has been reflected in these comparative financial statements for the year ended June 30, 2019.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual, legal or donor-imposed restrictions within one year of the statement of financial position date. Additionally, the Board of Directors has designated an amount for future potential uncertainties. Because of the Board's designation, those funds are not available for general expenditures, however the Board could make them available, if necessary.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2020</u>	<u>As Restated June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 4,618,803	\$ 2,275,780
Cash Held by Trustee	1,876,296	1,654,761
Accounts Receivable	350,191	414,014
Promises Receivable	<u>95,330</u>	<u>56,926</u>
Total Financial Assets	<u>\$ 6,940,620</u>	<u>\$ 4,401,481</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Contractual and Legal Restrictions:		
Cash Held in Trust for Bond Payments	\$ 1,876,296	\$ 1,654,761
Accounts Receivable - Beyond One Year	90,000	85,266
Internal Board Restrictions:		
Operating Reserve	<u>1,000,000</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 3,974,324</u>	<u>\$ 2,661,454</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Charter School invests cash in excess of daily requirements in short-term investments through a deposit placement agreement which invests in demand deposit accounts.

5. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2020, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2020, the Charter School had no accruals for interest and/or penalties.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

6. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

**Cash and Cash Equivalents**

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Demand Deposits	\$ 2,121,598	\$ 1,753,406
Non-Interest-Bearing Checking Accounts	1,488,564	519,946
Cash-Pending Allocation (Sweep)	<u>1,008,641</u>	<u>2,428</u>
Total	<u>\$ 4,618,803</u>	<u>\$ 2,275,780</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less. Total cash and cash equivalents does not include cash held in trust for debt service.

The Charter School maintains its operating funds in two separate financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2020 and 2019, \$259,746 and \$177,395, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increase cash flows at certain times during the year, the amount of funds at risk may have been greater than at year-end. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Deposit Placement and Sweep Agreements - In order to minimize credit risk on deposits, the Charter School has entered into a deposit placement agreement with United Bank. Through this agreement, funds deposited in excess of \$400,000 are transferred by the bank to other depository institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are held in Demand Deposit Accounts (DDA) with the financial institutions which provides for unlimited withdrawals. Cash pending allocation represents funds deposited within the Sweep account, however not yet invested with a federally insured institution. As of June 30, 2020 and 2019, \$1,008,641 and \$2,428, respectively, was pending allocation.

**Restricted Cash - Held in Trust**

Under the terms of a bond issuance agreement, the Charter School is required to maintain cash balances restricted for bond retirement within a sinking fund. The cash held by the trustee is separately reported in the accompanying statements of financial position as an Other Asset. At June 30, 2020 and 2019, \$1,876,296 and \$1,654,761 in cash, respectively, was restricted for this purpose.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS AND PROMISES RECEIVABLE:

**Accounts Receivable**

Accounts receivable as presented are current and considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2020</u>	<u>As Restated June 30, 2019</u>
Reimbursable Expenses - Property Taxes	\$ 103,183	\$ 56,121
Medicaid - School Based Services	175,830	236,564
Per Pupil Funding	54,019	55,563
Reimbursable Expenses - Other	11,839	4,523
E-Rate Program	5,320	662
Every Child Ready - Service Fees	-	57,046
Student Activity Fees	<u>-</u>	<u>3,535</u>
Total Accounts Receivable	<u>\$ 350,191</u>	<u>\$ 414,014</u>

The above accounts receivable are due to be received as follows:

	<u>June 30, 2020</u>	<u>As Restated June 30, 2019</u>
Less Than One Year	\$ 260,191	\$ 328,748
One to Five Years	<u>90,000</u>	<u>85,266</u>
Total	<u>\$ 350,191</u>	<u>\$ 414,014</u>

The Charter School's accounts receivable consists of unsecured amounts due from public funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it throughout the year and at year end. As of June 30, 2020, and 2019, approximately 50% and 57%, respectively, of the Charter School's accounts receivable (\$175,830 and \$236,564) was due from the DC Department of Health Care Finance for Medicaid program reimbursement.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that an allowance was not required based on its evaluation of collectability for the years ended June 30, 2020 and 2019.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Trade receivables are written off as uncollectible once management determines that available collection efforts have been exhausted.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Promises Receivable**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Early Care and Education Assistance	\$ 52,501	\$ 17,397
Scholarships for Opportunity and Results	42,829	-
Charter Schools Program - Title V-b	-	20,960
National Food Programs	-	12,572
Family Engagement	-	2,000
Individuals with Disabilities Education Act (IDEA)	-	1,865
Healthy Schools Act	-	591
General - Unrestricted	<u>-</u>	<u>1,541</u>
Total Promises Receivable	<u>\$ 95,330</u>	<u>\$ 56,926</u>

The above promises receivable are due to be received in less than one year.

The Charter School received the following conditional promises to give from the federal government that are not recognized as assets in the financial statements:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Scholarships for Opportunity and Results	\$ 143,192	\$ -
Elementary and Secondary Education Act	8,250	-
Charter Schools Program - Title V-b	<u>-</u>	<u>4,635</u>
Total Conditional Promises	<u>\$ 151,442</u>	<u>\$ 4,635</u>

8. DUE (TO)/FROM RELATED ORGANIZATION:

Because of the relationship between the AppleTree Early Learning Public Charter School and the AppleTree Institute for Education Innovation, certain common costs are shared dependent upon the respective benefits derived. Personnel wages and fringe benefits are provided between the two organizations through a shared services agreement and are invoiced on a monthly basis. Such amounts are recorded in the financial statements as due to/from related parties. The amount payable to the Appletree Institute for Education Innovation at June 30, 2020, was \$144,768. The amount receivable by the Charter School at June 30, 2019, was \$78,629.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

9. FIXED ASSETS:

Furniture and equipment, and leasehold improvements are recorded at cost or in the case of contributed property at the fair market value at the date of the contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated or amortized over the estimated useful lives of the assets. In addition, bulk purchases of assets with unit costs of less than \$1,000, but a total monetary value for a one-time purchase exceeding \$5,000, will be capitalized as a group and depreciated over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in revenues for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements have been amortized over the remaining term of the rental lease agreement. Maintenance and repairs are charged to expenses as incurred.

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2020

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	N/A	\$ 1,491,125	\$ -	\$ 1,491,125
Building	30 Years	4,942,116	(329,475)	4,612,641
Copiers	36 Months	48,113	(16,934)	31,179
Furniture and Equipment	5 Years	244,701	(132,358)	112,343
Computer Equipment	3 Years	109,876	(100,997)	8,879
Leasehold Improvements	Life of Lease	<u>5,129,779</u>	<u>(2,220,119)</u>	<u>2,909,660</u>
Total		<u>\$ 11,965,710</u>	<u>\$ (2,799,883)</u>	<u>\$ 9,165,827</u>

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	N/A	\$ 1,491,125	\$ -	\$ 1,491,125
Building	30 Years	4,942,116	(164,737)	4,777,379
Copiers	36 Months	14,214	(3,948)	10,266
Furniture and Equipment	5 Years	223,971	(91,618)	132,353
Computer Equipment	3 Years	109,876	(83,838)	26,038
Leasehold Improvements	Life of Lease	<u>5,038,196</u>	<u>(2,011,326)</u>	<u>3,026,870</u>
Total		<u>\$ 11,819,498</u>	<u>\$ (2,355,467)</u>	<u>\$ 9,464,031</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$444,416 and \$525,414, respectively.

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

10. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020 and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Management of the Charter School anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and were recognized as contribution revenue as the qualified expenses were incurred. The Charter School applied for and received a total amount of loan proceeds in the amount of \$1,996,400 on April 23, 2020. As of June 30, 2020, \$1,633,945 has been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met. In addition, an amount of \$362,455 has been recognized as a refundable advance and will be expended subsequent to year end.

11. GRANT PAYABLE:

A donation was made by the AppleTree Early Learning Public Charter School to Eager to Read, a separately incorporated 501(c)(3) charitable organization, for the purpose of funding the tuition scholarship program for employees of either the Charter School or AppleTree Institute for Education Innovation, Inc. Through its board member relationship, ATI maintains a controlling interest in Eager to Read. As of June 30, 2020 and 2019, a grant payment in the amount of \$100,000 was approved to be made from the Charter School to Eager to Read.

12. QUALIFIED SCHOOL CONSTRUCTION BONDS PAYABLE:

On November 23, 2010, the District of Columbia issued and sold qualified school construction revenue bonds (QSCB per Code Section 54F(a)(3) of the Internal Revenue Code), AppleTree Early Learning Public Charter School Issue, (Taxable-Tax Credit Bonds) Series 2010, with no effective interest rate. The bond issue and face amount were both for a total of \$3,535,000 and a term of seventeen (17) years with maturity on December 1, 2027, and were sold to the Manufacturers and Traders Trust Company, the proceeds of which were loaned to the Charter School by the District of Columbia government pursuant to section 490 of the District of Columbia Home Rule Act. The bond proceeds were used to finance building improvements and related capital expenditures at 138 12<sup>th</sup> Street, NE, Washington, DC (Lincoln Park), and at 2015-2017 Savannah Terrace, SE, Washington, DC (Douglas Knoll), as well as to pay for certain bond issuance costs.

The interest rate on the bonds was determined by taking the sum of the purchasers (M & T Bank) five-year cost of funds rate, plus 3.50%, less the Tax Credit Rate of 5.37%, resulting in a zero (0%) interest rate to the Charter School. The bonds have three scheduled call dates of December 1, 2015, 2020, and 2025.



APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

12. QUALIFIED SCHOOL CONSTRUCTION BONDS PAYABLE: (Continued)

Commencing on December 1, 2010, the Charter School was required to deposit to a sinking fund, equal monthly installments in the amount of \$18,316 over the term of the bonds sufficient to pay the principal at bond maturity. The sinking fund deposits are invested in a money market account with M & T Bank with a maximum sinking fund yield of 3.86%.

The bond obligation is guaranteed by the AppleTree Early Learning Public Charter School through a first priority lien on its per-pupil facilities revenues, as well as an interest in all personal property and business assets at the two campuses for whom the bonds are being issued. The loan agreement contains certain restricted, financial, and nonfinancial covenants.

The bond obligation is also guaranteed by the AppleTree Institute for Education Innovation through a senior deed of trust, assignment and security agreement relating to the tract of land together with improvements located at 138 12<sup>th</sup> Street, NE, Washington, DC. The Institute is required to meet certain debt service coverage ratios as measured on an annual basis.

The sinking fund payments on the revenue bonds over the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 219,792
2022	219,792
2023	219,792
2024	219,792
2025	219,792
Thereafter	<u>549,492</u>
Totals	<u>\$ 1,648,452</u>

**Bond Issuance Costs**

Bond issuance costs consist of acquisition costs related to the bond financing used to fund the Charter School's capital renovations at two campuses. These costs are amortized on a straight-line basis over 17 years (the life of the bonds). The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Current amortization of these costs is reported as interest in the schedule of functional expenses. Bond amortization was \$19,369 for both years ended June 30, 2020 and 2019.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

12. QUALIFIED SCHOOL CONSTRUCTION BONDS PAYABLE: (Continued)

**Bond Issuance Costs** (Continued)

Bond issuance costs and accumulated amortization is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total Bond Issuance Costs	\$ 329,276	\$ 329,276
Less: Accumulated Amortization	<u>(187,235)</u>	<u>(167,866)</u>
Bond Issuance Costs, Net	<u>\$ 142,041</u>	<u>\$ 161,410</u>
Bonds Payable	\$ 3,535,000	\$ 3,535,000
Less: Bond Issuance Costs, Net	<u>(142,041)</u>	<u>(161,410)</u>
Carrying Amount of Bonds Payable	<u>\$ 3,392,959</u>	<u>\$ 3,373,590</u>

13. NOTE PAYABLE - APPLETREE INSTITUTE FOR EDUCATION INNOVATION:

On July 18, 2018, the Charter School purchased the real estate and leasehold improvements located on 2750 14<sup>th</sup> Street, NW, Washington, DC, as an early education school. The real estate was purchased from AppleTree Columbia Heights, LLC, and the leasehold improvements were purchased from the AppleTree Institute for Education Innovation (a sole member of the LLC) for a combined total of \$6,135,552. The purchase of the facility was from a combination of both cash and a promissory note to ATI in the amount of \$2,656,052.

On July 18, 2018, the Charter School entered into a loan agreement with the AppleTree Institute for Education Innovation in the amount of \$2,656,052. This note originally called for consecutive monthly principal payments over a six (6) year period beginning on August 1, 2018, in an amount of \$42,776, plus additional interest on the remaining principal balance at a rate fixed rate of 5.0% per annum. On July 23, 2019, the note was amended to change the term of the loan from a 72-month term loan (6 years) to a 120-month term loan (12 years) resulting in a new maturity date of July 1, 2028, and a revised monthly payment of \$26,296. This loan is guaranteed by the full faith and credit of the Charter School, however otherwise it is unsecured. The balance of this loan at June 30, 2020 and 2019 was \$2,094,680 and \$2,332,953, respectively. Future minimum required payments through maturity are as follows:

<u>Year Ending June 30,</u>	<u>Total Loan Payment</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 315,553	\$ 215,718	\$ 99,835
2022	315,553	226,755	88,798
2023	315,553	238,356	77,197
2024	315,553	250,550	65,003
2025	315,553	263,369	52,184
Thereafter	<u>972,954</u>	<u>899,932</u>	<u>73,022</u>
Total	<u>\$ 2,550,719</u>	<u>\$ 2,094,680</u>	<u>\$ 456,039</u>

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

14. FINANCING LEASES PAYABLE:

On September 6, 2018, the Charter School entered into two separate financing leases for the purchase of two Copy Star 3252ci photocopiers for the Lincoln Park and Rocketship Rise locations. The total amount financed through the financing leases was \$14,214, payable over thirty-six (36) months with a monthly required payment of \$416. Maturity is scheduled for August 6, 2021. Interest expense was \$398 and \$566, respectively for the years ended June 30, 2020 and 2019, using an implicit rate of 5.00%. The balance of the financing lease debt was \$5,379 and \$10,094 at June 30, 2020 and 2019, respectively.

On October 9, 2019, the Charter School entered into two separate financing leases for the purchase of two Copy Star 4053ci photocopiers for the Oklahoma and Columbia Heights facility. The total amount financed through the financing leases was \$17,550 payable over thirty-six (36) months with a monthly required payment of \$526. Maturity is scheduled for September 9, 2022. Interest expense was \$590 for the year ended June 30, 2020, using an implicit rate of 5.00%. The balance of the financing lease debt was \$13,406 at June 30, 2020.

On October 17, 2019, the Charter School entered into a financing lease for the purchase of a Copy Star 3553ci photocopier for the Douglas Knoll facility. The total amount financed through this financing lease was \$8,175 payable over thirty-six (36) months with a monthly required payment of \$245. Maturity is scheduled for September 17, 2022. Interest expense was \$247 for the year ended June 30, 2020, using an implicit rate of 5.00%. The balance of the financing lease debt was \$6,463 at June 30, 2020.

On October 9, 2019, the Charter School entered into a financing lease for the purchase of a Copy Star 3553ci photocopier for the Parklands facility. The total amount financed through this financing lease was \$8,175 payable over thirty-six (36) months with a monthly required payment of \$245. Maturity is scheduled for September 9, 2022. Interest expense was \$275 for the year ended June 30, 2020, using an implicit rate of 5.00%. The balance of the financing lease debt was \$6,244 at June 30, 2020.

The Charter School is committed under these financing leases to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 17,304	\$ 16,095	\$ 1,209
2022	12,618	12,133	485
2023	<u>3,293</u>	<u>3,264</u>	<u>29</u>
Total	<u>\$ 33,515</u>	<u>\$ 31,492</u>	<u>\$ 1,723</u>

The leases are secured by the photocopier equipment and is presented as part of the carrying balance of fixed assets. For the year ended June 30, 2020 and 2019, depreciation expense in the amount of \$12,986 and \$3,948, respectively, on the photocopiers has been included in depreciation expense.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

14. FINANCING LEASES PAYABLE: (Continued)

Following is a summary of assets held under financing leases:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Photocopiers - Cost	\$ 48,113	\$ 14,214
Less: Accumulated Depreciation	<u>(16,934)</u>	<u>(3,948)</u>
Net Book Value Leased Equipment	<u>\$ 31,179</u>	<u>\$ 10,266</u>

15. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board (DCPCSB) to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The original contract dated June 8, 2005, provided for a 15-year charter effective the date of first operation and expiring on or about January 1, 2020. The Charter School was approved for an additional 15-year charter effective July 1, 2020. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Charter School complies with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the Charter School's charter every five years. On January 26, 2015, the Charter School successfully concluded its ten-year charter review with its authorizer, the DC Public Charter School Board. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.09% for the 19/20 and 18/19 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2020 and 2019, the Charter School incurred \$114,454 and \$131,132, respectively, in administrative fees.

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2020, was 833 students. Actual enrollment for the 2019/2020 year was 544 students.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

16. PER PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per pupil educational allotments and facility allotments. This funding is calculated annually and based on the equivalent number of full-time students. For the year ended June 30, 2020, the per pupil rate ranged from \$14,274 to \$14,713 for the educational allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per pupil rate ranged from \$13,855 to \$14,282 for the educational allotment and \$3,263 for the facility allotment. Additional allotments were given for Special Education needs and At Risk Students. Per-pupil funding for the years ended June 30, 2020 and 2019 was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General Education	\$ 7,891,106	\$ 9,059,300
Facilities Allowance	1,814,240	2,101,372
At Risk Students	686,808	780,673
Special Education	585,404	527,986
English as a Second Language	182,926	292,926
One Time Additional Payment	<u>104,040</u>	<u>-</u>
Total	<u>\$ 11,264,524</u>	<u>\$ 12,762,257</u>

17. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2020 and 2019, the Charter School participated in the following federal award programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Scholarships for Opportunity and Results	\$ 360,019	\$ 402,384
National School Lunch and Breakfast Programs	201,904	336,566
Childcare Subsidy Program	158,667	102,605
Fresh Fruit and Vegetable Program	17,792	31,408
Individuals with Disabilities Education Act (IDEA)	10,210	8,423
Charter Schools Program - Title V-b	4,635	168,872
Elementary and Secondary Education Act	<u>2,803</u>	<u>16,399</u>
Total	<u>\$ 756,030</u>	<u>\$ 1,066,657</u>

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding, but rather, provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education (OSSE).

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

17. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs and (2) encourage the domestic consumption of nutritious agricultural commodities.

18. FUNDRAISING:

Expenses for the purpose of fundraising in the amount of \$6,170 were incurred during the year ended June 30, 2020.

19. UNUSUAL AND INFREQUENT ITEM:

Beginning in July of 2014, the AppleTree Early Learning Public Charter School operated a Pre-K Southwest campus for 108 students under a use agreement with the DC Public School system in portable classrooms at former tennis courts next to Jefferson Middle School. On June 13, 2019, the District of Columbia City Council voted to accelerate the modernization of the Jefferson Middle School. With the rehabilitation project commencing in the summer of 2019, the Charter School was forced to vacate their campus at the Jefferson Middle School. The removal and disposal of the modular units during the year ended June 30, 2019 resulted in the Charter School incurring expenses in the amount of \$59,039, which have been reflected in the statement of activities as an unusual and infrequent item.

20. COMMITMENTS:

**Facility Leases**

On June 9, 2015, the Charter School and AppleTree Institute (ATI), a related party, entered into a master lease agreement commencing July 1, 2015, and expiring June 30, 2018. The provisions of this lease permit one additional three-year automatic renewal, which was exercised through June 30, 2021 (not including the Columbia Heights facility, which lapsed on July 18, 2018). Under the master lease agreement, the Charter School is required to pay monthly rent based on the facilities allowance received by the Charter School from the District of Columbia, subject to minimum and maximum monthly amounts based on the per pupil facilities allowance and student enrollment. For the year ended June 30, 2020, rent was determined based on a predetermined fixed enrollment for the Oklahoma Avenue facility at a rate of \$3,149 per student and at actual enrollment for the Parklands facility at a rate of \$3,335 per student. For the year ended June 30, 2019, rent was determined based on a predetermined fixed enrollment for the Oklahoma Avenue facility at a rate of \$3,081 per student and at actual enrollment for the Parklands facility at a rate of \$3,263 per student. In addition, the Charter School incurs the costs of utilities and basic maintenance. For the years ended June 30, 2020 and 2019, rent expense under this lease agreement was \$834,005 and \$799,471, respectively.

The Charter School pays monthly condominium fees for the facility located in Columbia Heights. Total fees paid during the years ended June 30, 2020 and 2019 were \$24,542 for both years.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

20. COMMITMENTS: (Continued)

**Facility Leases** (Continued)

On April 1, 2018, the Charter School entered into a sublease agreement with the AppleTree Institute for the rental of its portion of facility space located at 1801 Mississippi Avenue, SE, Washington, DC (THEARC). The AppleTree Institute leases from Building Bridges, who is the prime landlord. The sublease became effective on November 1, 2017, and continued through June 30, 2018. Under the provisions of the lease, the Charter School had the option to renew the lease agreement for a one-year additional term through June 30, 2019. This lease was automatically renewed for an additional twelve-month period. Total monthly required lease payments under this sublease at June 30, 2020, were \$6,412. Total rent expense for the building space usage during the years ended June 30, 2020 and 2019 was \$76,946 and \$84,578, respectively. During the year ended June 30, 2020, an amount of \$11,324 representing excess payments for calendar year 2019 operating expenses was refunded to the Charter School.

In addition to the facility rental agreement, the Charter School is leasing office furniture and equipment located at THEARC directly from the AppleTree Institute. Monthly required rental payments are \$2,000. The terms on the office furniture follow the same terms as included in the facility sublease agreement. Equipment rental expense on this lease for the year ended June 30, 2020 was \$24,000.

The Charter School leased certain property from AppleTree Columbia Heights, LLC, an affiliate of ATI. The terms of this transaction were consistent with the terms of the master lease agreement with ATI, however, this lease expired on July 18, 2018. Rent was based on a rate of \$3,263 per student for the year ended June 30, 2019. Rent expense for the year ended June 30, 2019, under this lease was \$18,947.

In July 2011, the Charter School entered into a lease with ATI for ground rent at its Lincoln Park campus. The term of the lease is 20 years, with an option to extend the lease for 10 years. On June 13, 2012, both parties agreed to an amendment to the sub-lease covering management expenses for the property, effective January 1, 2012. The monthly lease obligation to be paid by the Charter School is \$806 per month. Rent expense for both of the years ended June 30, 2020 and 2019 was \$9,677.

In July 2014, The Charter School entered into a license to occupy agreement with the District of Columbia to provide a Public Charter School on the premises of Jefferson Middle School. The terms of this agreement were for a one-year term commencing on July 28, 2014, and expiring July 31, 2015. This agreement was extended for a fourth one-year term expiring June 30, 2019. During the year ended June 30, 2019, the Charter School had incurred \$19,495 in licensing fees.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

20. COMMITMENTS: (Continued)

**Facility Leases** (Continued)

Minimum required lease payments for the next five years are as follows:

Year Ending June 30,

2021	\$ 1,301,097
2022	426,097
2023	441,559
2024	443,395
2025	<u>445,249</u>
Total	<u>\$ 3,057,397</u>

Total rent expense and licensing fees for the years ended June 30, 2020 and 2019 were as follows:

<u>Landlord</u>	<u>Facility</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ATI	Oklahoma Avenue	\$ 503,840	\$ 492,960
ATI	Parklands	330,165	300,196
ATI	Lofts/Heights of Columbia	-	6,315
ATI	Lincoln Park	9,677	9,677
Building Bridges (ATI Sublease)	THEARC	76,946	84,578
AppleTree Columbia Heights, LLC	Columbia Heights	-	18,947
District of Columbia	Jefferson Middle School	-	19,495
City Lights Realty Group	Columbia Heights Condo Fees	<u>24,542</u>	<u>24,542</u>
Subtotal Paid		\$ 945,170	\$ 956,710
Less: Reimbursement of Prior Year Operating Expenses		<u>(11,324)</u>	<u>(12,237)</u>
Total Rent Expense		<u>\$ 933,846</u>	<u>\$ 944,473</u>

**Facility Lease - Waterfront Station**

The AppleTree Early Learning Public Charter School entered into a lease agreement on March 27, 2019, for the eventual rent of a school facility located at 1000 4<sup>th</sup> Street, SW, Washington, DC at Waterfront Station with 9,200 square feet for the eventual education of 132 pre-school level children. It is anticipated that this facility will be available for the fiscal 2022-2023 school year. The lease calls for an initial term of twelve (12) years with one additional optional extension period of five (5) years. In addition to the monthly base rent of \$40,687, the Charter School is responsible for its pro-rata share of annual operating costs as well as an annual base rent escalation of 2.5%. The Charter School is also subject to certain guaranties and financial covenants. As a requirement of this lease, a rental security deposit of \$90,000 was paid at the time of execution.



APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

20. COMMITMENTS: (Continued)

**Facility Lease - 488 Virginia Avenue, SW**

The AppleTree Early Learning Public Charter School (AELPCS) entered into a lease agreement on July 9, 2019, with Richard Wright Public Charter School for Journalism and Media Arts for the rent of the first floor of a school facility located at 475 School Street, SW, Washington, DC, with 11,300 square feet for the eventual education of 110 children. It is anticipated that this facility will be available for the fiscal 2020-2021 school year on approximately September 1, 2020. Given that AELPCS will utilize the Virginia Avenue entrance to the building, the school's official address at this site is 488 Virginia Avenue, SW. The lease calls for an initial term of fifteen (15) years with two additional optional extension periods of five (5) years each if the prime lease between Richard Wright and Tellurium (the prime landlord) is extended. AELPCS' monthly base rent in fiscal year 2020-2021 is \$28,358 before operating expenses. As a requirement of this lease, a rental security deposit of \$50,000 was to be paid on July 1, 2020.

**Photocopier Operating Leases**

The Charter School entered into multiple operating leases for copier equipment. The lease terms were for thirty-six (36) months with varying monthly lease payments, as well as varying commencement dates. Equipment rental expense totaled \$3,052 and \$10,464 for the years ended June 30, 2020 and 2019, respectively. Each of the operating copier lease agreements terminated as of June 30, 2020.

**Unsecured Credit Card**

The Charter School utilizes a credit card issued by Wells Fargo Bank for purchases related specifically to the Charter School. The credit card is issued in the name of the Charter School and has an overall credit limit of \$100,000, as well as individual credit limits for each of the employees authorized as a card holder. Purchases and balances owed on this credit card are not guaranteed by the Charter School.

21. RELATED PARTY TRANSACTIONS:

**AppleTree Institute for Education Innovation, Inc.**

The Charter School was designed by AppleTree Institute for Education Innovation, Inc. (ATI), a not for profit organization, whose mission is to increase the number of effective schools through innovation, to provide accelerated early language and literacy programs to underserved preschoolers in Washington, DC, and to raise the trajectory of their future learning success. ATI supports the Charter School as a strategic partner and commits to fund any operating shortfalls of the Charter School. The Charter School and ATI share common board members. The Charter School leases some of its facilities from ATI (Note 20).

Effective July 1, 2015, the Charter School and ATI entered into a services agreement outlining the division of specific administrative and operating costs. During the year ended June 30, 2020, ATI billed \$491,569 of expenses for shared payroll and administrative costs to the Charter School. ATI incurred \$1,151,961 of expenses for shared payroll and administrative costs provided by the Charter School.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS: (Continued)

**AppleTree Institute for Education Innovation, Inc.** (Continued)

During the year ended June 30, 2019, ATI billed \$518,627 of expenses for shared payroll and administrative costs to the Charter School. ATI incurred \$1,291,897 of expenses for shared payroll and administrative costs provided by the Charter School. As of June 30, 2020, the Charter School owed ATI an amount of \$144,768. As of June 30, 2019, ATI owed the Charter School an amount of \$78,629.

During the years ended June 30, 2020 and 2019, the Charter School paid \$91,000 and \$115,200, respectively to ATI for classroom observation and the *Every Child Ready* Curriculum. In addition, during the year ended June 30, 2019, ATI provided a contribution to the Charter School in the amount of \$113,636 for the purpose of developing an innovative and impactful teacher residency program in service for local districts.

The bonds issued by the Charter School in the amount of \$3,535,000 are guaranteed in full by ATI.

**Board of Directors**

Two of the members appointed to serve on the Board of Directors are parents of students attending the Charter School. Parent members are elected by a majority vote of the board members from a list of qualified individuals submitted to the board by an advisory committee.

22. CONCENTRATIONS:

**Revenues**

The Charter School is dependent on funding from the District of Columbia Public School System, as authorized by the District of Columbia Public Charter School Board. During the years ended June 30, 2020 and 2019, seventy-six percent (76%) and eighty-seven percent (87%), respectively, of total support, excluding donated services, was received from the District of Columbia for per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education passed through the Office of the DC Office of State Superintendent of Education. The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the AppleTree Early Learning Public Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

23. CONTINGENCIES:

**Pandemic**

AppleTree Early Learning Public Charter School is affected adversely by the federal and District of Columbia's response to the coronavirus pandemic. The school's leadership developed plans to re-open virtually on August 31, 2020. The Charter School's instructional model, Every Child Ready, has been adapted to a blended learning model and new partnerships have been developed with Nick Jr.'s/Noggin and Sparkler programs to deliver content via technology platforms to families in their homes. Enrollment throughout the District, especially for three and four-year-old children, is lagging at historic levels and the Charter School's leadership is managing resources carefully to minimize the long-term effects of the public health and economic challenges. Management is cautiously optimistic that this approach will provide stability and sustain the Charter School through school year 2020-2021, though the full impact to the Charter School's financial position is not known at the present time.

**Compliance and Accountability**

The Charter School was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e. the failure to continue the charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The viability of public charter schools and funding for these schools is dependent upon the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

23. CONTINGENCIES: (Continued)

**Litigation**

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

24. RETIREMENT PLAN:

The Charter School provides pension benefits for its employees through a qualified defined contribution 403(b) retirement plan administered by a third party. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allows for employees to contribute up to the statutory limits set by the Internal Revenue Code. Effective January 1, 2020, the plan was modified to make it an ERISA plan. Plan provisions and contribution requirements are established and may be amended by the board members of the Charter School. Participants are 100% vested in their contributions and the 5% employer contributions. There is no unfunded past service liability. The Charter School contributes, at its discretion, an amount equal to 5% of eligible compensation for employees with more than two years of service. Employer contributions for the years ended June 30, 2020 and 2019 totaled \$269,727 and \$264,821, respectively.

25. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 15, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Period of Award	Grant Receivable at 7/1/19	Current Year Activity		Grant Receivable at 6/30/20
						Receipts	Disbursements Expenditures	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Special Education Cluster:								
Special Education - Grants to States (IDEA 611)	84.027A	A2027A	\$ 7,853	07/01/19 to 09/30/20	\$ -	\$ 7,853	\$ 7,853	\$ -
Special Education - Grants to States (IDEA 611)	84.027A	92027A	\$ 6,565	07/01/18 to 09/30/19	7	7	-	-
Special Education - Grants to States (IDEA 619)	84.173A	A2173A	\$ 2,357	07/01/19 to 09/30/20	-	2,357	2,357	-
Special Education - Grants to States (IDEA 619)	84.173A	92173A	\$ 1,858	07/01/18 to 09/30/19	<u>1,858</u>	<u>1,858</u>	<u>-</u>	<u>-</u>
Total Special Education Cluster					<u>\$ 1,865</u>	<u>\$ 12,075</u>	<u>\$ 10,210</u>	<u>\$ -</u>
Charter Schools (Title V-B Dissemination)	84.282A	VB.282A	\$ 194,000	07/26/17 to 07/25/19	\$ 20,960	\$ 25,595	\$ 4,635	\$ -
English Language Acquisition State Grants (Title III-A)	84.365A	84.365A	\$ 11,053	07/01/19 to 09/30/20	-	2,803	2,803	-
DC Opportunity Scholarship Program (SOAR)	84.370C	CHOICE	\$ 499,211	08/16/19 to 08/15/21	-	313,190	356,019	42,829
Passed Through the Flamboyant Foundation								
DC Opportunity Scholarship Program (SOAR)	84.370C	N/A	\$ 4,000	07/01/19 to 06/30/20	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total U.S. Department of Education					<u>\$ 22,825</u>	<u>\$ 357,663</u>	<u>\$ 377,667</u>	<u>\$ 42,829</u>
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/19 to 06/30/20	\$ -	\$ 51,946	\$ 51,946	\$ -
School Breakfast Program	10.553	N/A	N/A	07/01/18 to 06/30/19	2,997	2,997	-	-
National School Lunch Program	10.555	N/A	N/A	07/01/19 to 06/30/20	-	139,939	139,519	(420) *
National School Lunch Program	10.555	N/A	N/A	07/01/18 to 06/30/19	8,852	8,852	-	-
Donated Commodities (Non-cash Assistance)	10.555	N/A	\$ 10,439	07/01/19 to 06/30/20	<u>-</u>	<u>10,439</u>	<u>10,439</u>	<u>-</u>
Total Child Nutrition Cluster					<u>\$ 11,849</u>	<u>\$ 214,173</u>	<u>\$ 201,904</u>	<u>\$ (420)</u>
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/19 to 06/30/20	\$ -	\$ 17,792	\$ 17,792	\$ -
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/18 to 06/30/19	<u>723</u>	<u>723</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture					<u>\$ 12,572</u>	<u>\$ 232,688</u>	<u>\$ 219,696</u>	<u>\$ (420)</u>
<u>U.S. Department of Health and Human Services:</u>								
Passed Through the District of Columbia:								
TANF Cluster:								
Temporary Assistance for Needy Families	93.558	N/A	\$ 102,605	10/01/19 to 09/30/20	\$ -	\$ 142,917	\$ 158,667	\$ 15,750
Temporary Assistance for Needy Families	93.558	N/A	\$ 97,525	10/01/18 to 09/30/19	<u>5,915</u>	<u>5,915</u>	<u>-</u>	<u>-</u>
Total TANF Cluster					<u>\$ 5,915</u>	<u>\$ 148,832</u>	<u>\$ 158,667</u>	<u>\$ 15,750</u>
Total U.S. Department of Health and Human Services					<u>\$ 5,915</u>	<u>\$ 148,832</u>	<u>\$ 158,667</u>	<u>\$ 15,750</u>
Total Federal Awards					<u>\$ 41,312</u>	<u>\$ 739,183</u>	<u>\$ 756,030</u>	<u>\$ 58,159</u>

\* Amount represents an overpayment to the Charter School that will be paid back to the District of Columbia (OSSE).

(See Accompanying Notes and Auditor's Report)

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA 611)	84.027A	\$ 7,853
Special Education - Grants to States (IDEA 619)	84.173A	2,357
Charter Schools (Title V-B Dissemination)	84.282A	4,635
English Language Acquisition State Grants (Title III-A)	84.365A	2,803
DC Opportunity Scholarship Program (SOAR)	84.370C	360,019
School Breakfast Program	10.553	51,946
National School Lunch Program	10.555	139,519
Donated Commodities (Non-cash Assistance)	10.555	10,439
Fresh Fruit and Vegetable Program	10.582	17,792
Temporary Assistance for Needy Families	93.558	<u>158,667</u>
Total Federal Awards		<u>\$ 756,030</u>

(See Accompanying Notes and Auditor's Report)

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 2020. The information in this 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 the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on 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 expenditures are not allowable or are limited as to reimbursement.

The Charter School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Food Commodities:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 4 - Pass-Through Funds:

The Charter School did not pass through any federal funds to subrecipients.

Note 5 - Major Program Selection:

The major Federal Award Program selected for testing is as follows:

U.S. Department of Education

- DC Opportunity Scholarship Program (SOAR)

The requirements of the Office of Management and Budget Uniform Guidance requires all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and/or compliance testing. For the AppleTree Early Learning Public Charter School, the program subject to these requirements are as listed above. The total expenditures of this program represent 47.62% of the total federal expenditures.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

Note 5 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of</u> <u>Expenditures</u>
Special Education - Grants to States (IDEA 611)	84.027A	\$ 7,853
Special Education - Grants to States (IDEA 619)	84.173A	2,357
Charter Schools (Title V-B Dissemination)	84.282A	4,635
English Language Acquisition State Grants (Title III-A)	84.365A	2,803
DC Opportunity Scholarship Program (SOAR)	84.370C	360,019*
School Breakfast Program	10.553	51,946
National School Lunch Program	10.555	139,519
Donated Commodities (Non-cash Assistance)	10.555	10,439
Fresh Fruit and Vegetable Program	10.582	17,792
Temporary Assistance for Needy Families	93.558	<u>158,667</u>
Total Federal Awards		<u>\$ 756,030</u>

\* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Education

1) DC Opportunity Scholarship Program (SOAR)

The purpose of the Scholarships for Opportunity and Results (SOAR) Act grant is to improve school performance and educational outcomes and to provide facility funding in order to increase the number of high-quality public charter school seats in the District of Columbia.



**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
AppleTree Early Learning  
Public Charter School  
1801 Mississippi Avenue, SE  
Washington, DC 20020

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*

We have audited 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, the financial statements of AppleTree Early Learning Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 September 15, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered AppleTree Early Learning Public Charter 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 AppleTree Early Learning Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether AppleTree Early Learning 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 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 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 the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
September 15, 2020

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
AppleTree Early Learning  
Public Charter School  
1801 Mississippi Avenue, SE  
Washington, DC 20020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

We have audited the AppleTree Early Learning Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AppleTree Early Learning Public Charter School's major federal programs for the year ended June 30, 2020. The AppleTree Early Learning 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and 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 AppleTree Early Learning Public Charter 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 AppleTree Early Learning Public Charter 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 AppleTree Early Learning Public Charter School's compliance.

***Opinion on Each Major Federal Award Program***

In our opinion, the AppleTree Early Learning 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, 2020.

***Report on Internal Control Over Compliance***

Management of the AppleTree Early Learning Public Charter 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 AppleTree Early Learning Public Charter 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 AppleTree Early Learning Public Charter 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 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 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.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
September 15, 2020

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

Findings relating to the financial statements which are required to be reported in accordance with  
Government Auditing Standards

2019-001      Condition: The Charter School utilizes a credit card to purchase items for educational use. In lieu of obtaining the original receipt, some school employees take a picture of the receipt with the use of their mobile phone. This picture is then uploaded to the Expensify application and then further attached to the actual charge recorded in QuickBooks. When the picture of the invoice is being taken, the detail of the entire receipt or invoice is not being captured. The receipts to which this issue relates reflected either the total amount charged or a listing of amounts charged; however, the detail behind the purchase and what was being purchased was not included in the actual picture.

Criteria: All credit card charges for expenses should have a supporting invoice or receipt for online purchases or for charges at the point of sale. Although the method of taking a picture is an acceptable method of obtaining a receipt, Generally Accepted Accounting Principles requires that the supporting detail be sufficient enough for the charge to be subject to the normal internal review and approval process.

Status: This finding is not reported in the current year.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the AppleTree Early Learning Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies in internal control relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the AppleTree Early Learning Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal awards program have been reported.
- e. The auditor's report on compliance for the major federal awards program for the AppleTree Early Learning Public Charter School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance in the schedule of findings and questioned costs.
- g. The program tested as a major program of the AppleTree Early Learning Public Charter School was as follows:

<u>Programs</u>	<u>CFDA #</u>
DC Opportunity Scholarship Program (SOAR)	84.370C

- h. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- i. The AppleTree Early Learning Public Charter School was determined to be a low-risk auditee.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

There were no findings in the current year.

APPLETREE EARLY LEARNING PUBLIC CHARTER SCHOOL  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2020

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
AppleTree Institute	Shared Services	376,723.53	no
AppleTree Institute	Rent	909,303.96	no
AppleTree Institute	ECR Curriculum, Assessments and Pedagogy	105,062.00	no
AppleTree Institute	Interest on Columbia Heights Loan	110,334.37	no
CareFirst	Health Insurance	769,735.85	no
Revolution Foods Inc.	Food Service	257,355.14	no
Guardian	Dental Insurance	139,738.67	no
Amazon	Supplies	133,571.56	no
BK Cleaning Services, LLC	Janitorial Services	122,093.00	no
DC Public Charter School Board	Administrative Fee	110,870.98	no
EdOps	Finance and Accounting Services SY 20-21	103,740.00	no
Eager to Read	Staff scholarships	100,000.00	no
EdOps	Finance and Accounting Services SY 19-20	99,780.00	no
DC Treasurer	Real Estate Taxes	84,378.27	no
Technology Assigned Risk	Worker's Compensation August 2020 - July 2021	79,416.00	no
Technology Assigned Risk	Worker's Compensation August 2019 - July 2020	77,184.00	no
W.B. Mason Co., Inc.	Supplies	71,049.43	no
Reliance Standard Life Insurance Company	Life and Disability Insurance	67,532.91	no
PEPCO	Utilities - Electric	60,404.75	no
Relay Graduate	Professional Development	51,600.00	no
Adams Construction LLC	Construction and Maintenance	45,000.00	no
Young and Well	Special Education Contracted Services	44,642.87	no
Hanover Insurance Co.	Business Insurance	41,753.75	no
Therapy Source	Special Education Contracted Services	32,692.72	no
Kendall, Prebola and Jones, LLC	Audit	32,125.75	no
DC Water and Sewer Authority	Utility - Water	31,402.01	no
Playground Specialists	Construction	29,991.00	no
Comcast	Telephone and Internet	26,959.77	no
Citylights Realty Group	Rent	26,587.60	no