

DISTRICT OF COLUMBIA
PUBLIC CHARTER SCHOOL BOARD

WASHINGTON, DC

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

District of Columbia Public
Charter School Board
3333 14th Street, NW, Suite 210
Washington, DC 20010

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of the District of Columbia Public Charter School Board, an independent agency of the government of the District of Columbia, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District of Columbia Public Charter School Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District of Columbia Public Charter School Board as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the District of Columbia Public Charter School Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(A) to the financial statements, the District of Columbia Public Charter School Board is an agency of the District of Columbia. These financial statements are intended to present the financial position and changes in financial position of only the governmental activities of the District of Columbia (the primary government) that are attributable to the transactions of the District of Columbia Public Charter School Board. They do not purport to, and do not, present fairly the financial position of the District of Columbia as of September 30, 2022, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the District of Columbia Public Charter School Board adopted the provisions of GASB Statement No. 87, *Leases*. As a result of the implementation of GASB Statement No. 87, the DC PCSB reported a restatement of Capital Assets, Lease Liability and Deferred Rent Abatement at October 1, 2021, which had no net effect on the DC PCSB's net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District of Columbia Public Charter School Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District of Columbia Public Charter School Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District of Columbia Public Charter School Board's ability to continue as a going concern for a reasonable period of time.

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


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As more fully described in Note 1(H) to the financial statements, the District of Columbia Public Charter School Board is not required to legally adopt an annual operating budget and as such a budgetary comparison has not been presented as Required Supplementary Information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, on our consideration of the District of Columbia Public Charter School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District of Columbia Public Charter School Board'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 District of Columbia Public Charter School Board's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
March 16, 2023

DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

This Management's Discussion and Analysis provides an overview and analysis of the financial activities of the District of Columbia Public Charter School Board (DC PCSB) as of and for the fiscal years ended September 30, 2022 and 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with management's basic financial statements and the related note disclosures. The financial statements, disclosures, and Management's Discussion and Analysis are the representation of management.

Basic Financial Statements

DC PCSB is an agency of the Government of the District of Columbia and is part of the District's *Comprehensive Annual Financial Report*. The criteria for including organizations as component units within the DC PCSB reporting entity are governed by pronouncements issued by the Governmental Accounting Standards Board (GASB). Based on that criteria there are no agencies to be included as component units of the DC PCSB.

The basic financial statements of the DC PCSB include a series of financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP), as applicable to governmental units. The Statements of Net Position and Statement of Activities provide information about the activities of the DC PCSB as a whole and present a longer-term view of the finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

The Statement of Net Position presents the financial position of the DC PCSB and includes all assets, deferred outflows or resources, liabilities, deferred inflows or resources, and the various categories of net position. Net position is defined as assets, plus deferred outflows of resources, less liabilities, and inflows of resources, and represents the equity of the DC PCSB.

Net position is presented in two major categories. The first category, net investment in capital assets, represents the equity in property, plant and equipment owned and/or controlled by the DC PCSB, for which there is no related debt. The DC PCSB main offices are leased, and the current lease agreement ends June 30, 2023. The final category is restricted net position, which enabling legislation requires to be utilized for the purpose of helping to improve education for children, youth, and adults in the District of Columbia by authorizing quality public charter schools.

The Statement of Activities presents the revenue earned and expenses incurred during the fiscal year, both operating and non-operating. This statement reconciles the amount of beginning net position to the amount of ending net position as presented in the Statement of Net Position. Operating revenues are received for oversight services that are provided to public charter schools authorized by the DC PCSB. Operating expenses are those expenses paid or accrued to acquire or provide services as necessary to carry out the functions of the DC PCSB. Nonoperating revenues are received from legislative and/or donor sources, and investment income therefrom, to carry out missions and goals as established by various memorandums of understanding.

DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Financial Highlights

Condensed Financial Information

Table 1 - Condensed Statement of Net Position as of September 30, 2022, 2021 and 2010 (in \$000):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Current Assets	\$ 8,693	\$ 7,152	\$ 6,360
Noncurrent Assets:			
Deposits	23	23	23
Net Capital Assets	646	264	240
TOTAL ASSETS	<u>9,362</u>	<u>7,439</u>	<u>6,623</u>
Liabilities:			
Current Liabilities	1,924	759	633
Noncurrent Liabilities	33	40	80
TOTAL LIABILITIES	<u>1,957</u>	<u>799</u>	<u>713</u>
Net Position:			
Net Investment in Capital Assets	646	264	239
Restricted	6,759	6,376	5,671
TOTAL NET POSITION	<u>\$ 7,405</u>	<u>\$ 6,640</u>	<u>\$ 5,910</u>

Table 2 - Condensed Statement of Activities for the Years Ended September 30, 2022, 2021 and 2020 (in \$000)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Administrative Fees	\$ 10,046	\$ 9,816	\$ 9,124
Grants and Contributions	1,200	126	171
Total Operating Revenues	11,246	9,942	9,295
Less Operating Expenses	10,497	9,212	8,900
Net Operating Surplus (Deficit)	749	730	395
Nonoperating Revenues:			
Investment Income, Net	16	-	18
Increase (Decrease) in Net Position	765	730	413
Net Position - Beginning of Year	6,640	5,910	5,497
Net Position - End of Year	<u>\$ 7,405</u>	<u>\$ 6,640</u>	<u>\$ 5,910</u>

DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Financial Highlights (Continued)

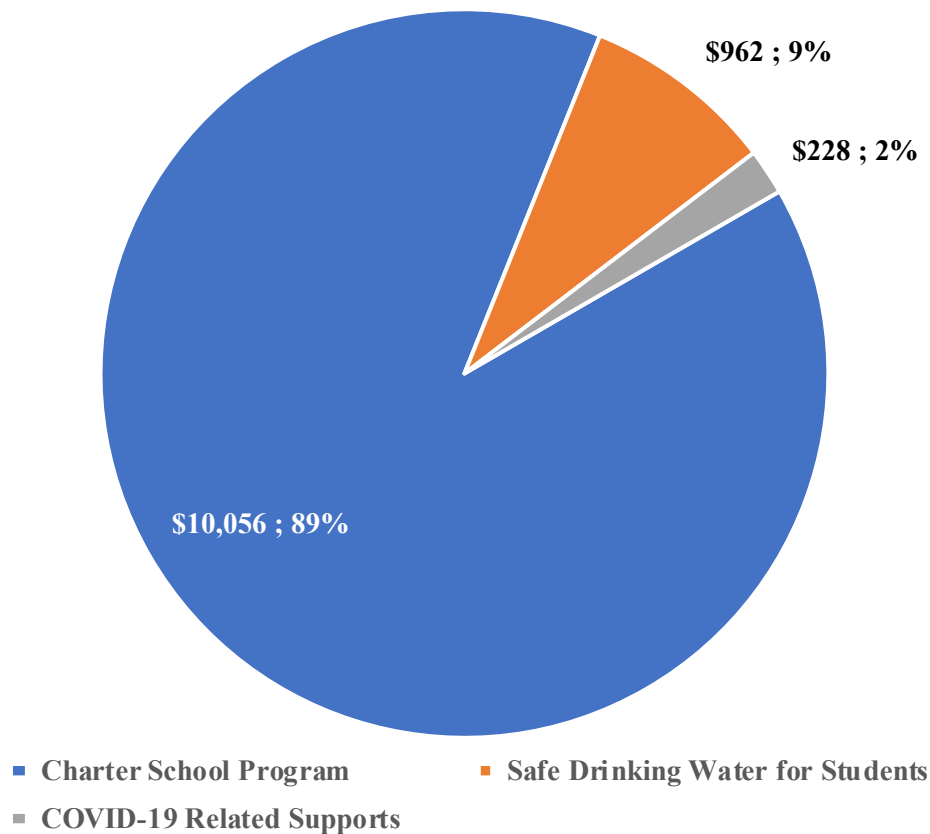
Condensed Financial Information (Continued)

The change in net position increased by \$35,000, or 5%, from \$730,000 in FY 2021 to \$765,000 in FY 2022. This increase is comprised of a \$1,304,000 increase in operating revenue less a \$1,285,000 increase in operating expense and a \$16,000 increase in investment income.

The change in net position increased by \$317,000, or 77%, from \$413,000 in FY 2020 to \$730,000 in FY 2021. This increase is comprised of a \$647,000 increase in operating revenue less a \$312,000 increase in operating expense and an \$18,000 decrease in investment income.

Total operating revenues increased by \$1,304,000 or 13%, from \$9,942,000 in FY 2021 to \$11,246,000 in FY 2022. This increase is comprised of grant increases for Safe Drinking Water for Students (\$839,000) and COVID-19 Related Supports (\$228,000), plus an increase of \$237,000 in revenue for the Charter School Program from administrative fees and grants and contributions.

FY 2022 Operating Revenues by Function (in \$000s)
\$11.2 million

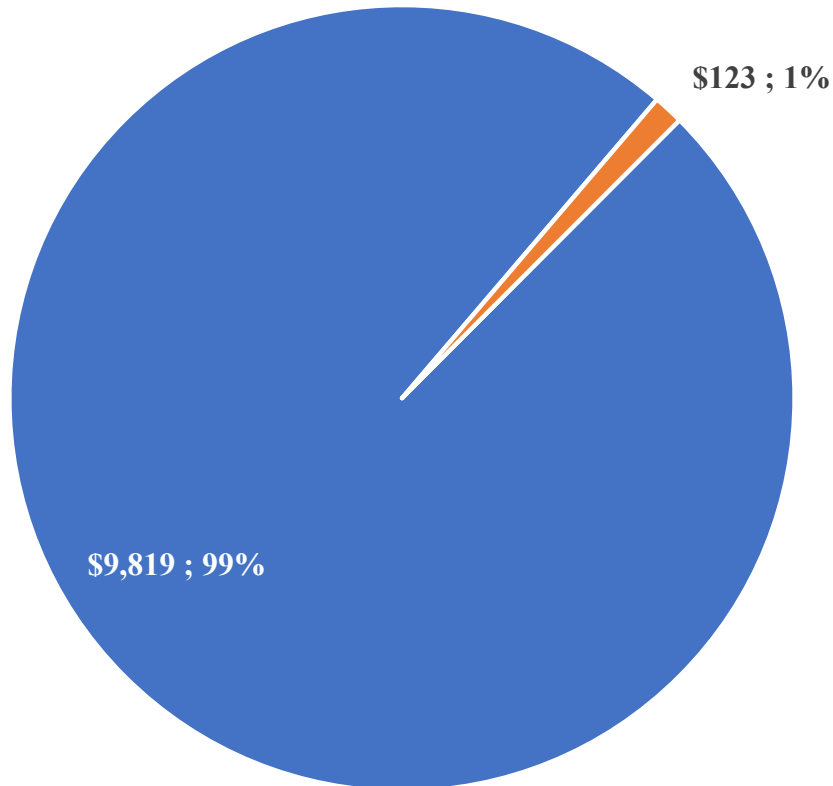


DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Financial Highlights (Continued)

Condensed Financial Information (Continued)

FY 2021 Operating Revenues by Function (in \$000s)
\$9.9 million



- Charter School Program
- Safe Drinking Water for Students

Total operating revenues increased by \$647,000 or 7%, from \$9,295,000 in FY 2020 to \$9,942,000 in FY 2021. The primary driver for this was a \$650,000, or 7%, increase in Charter School Program revenue from administrative fees and grants and contributions. In addition, Safe Drinking Water for Students increased by \$3,000 and Adult and Alternative Education grants decreased by \$6,000 due to the availability of alternative funding.

DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Financial Highlights (Continued)

Condensed Financial Information (Continued)

FY 2022 Operating Expenses by Function (in \$000s)
\$10.5 million

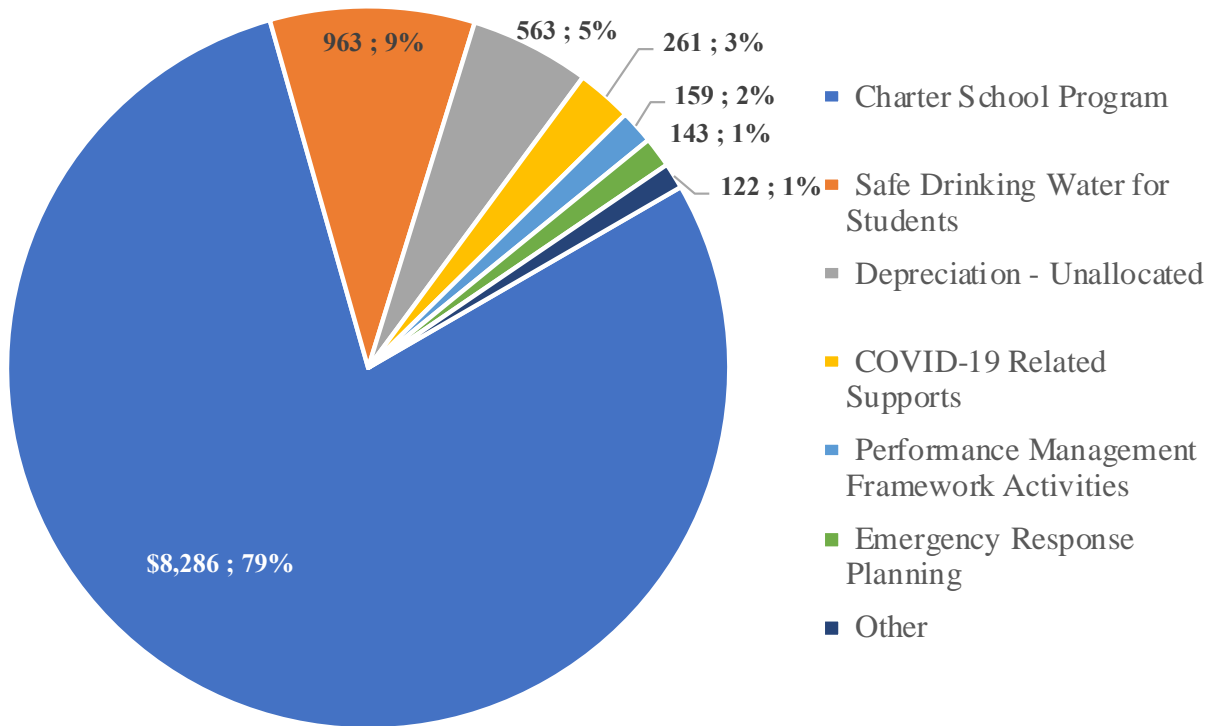


Table 3 - Expenses by Function for the Years Ended September 30, 2022 and 2021 (in \$000):

Expenses by Function:	2022		2021		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Charter School Program	\$ 8,286	79%	\$ 8,065	88%	\$ 221	17%
Safe Drinking Water for Students	963	9%	623	7%	340	26%
Depreciation - Unallocated	563	5%	71	1%	492	38%
COVID-19 Related Supports	261	2%	-	-	261	20%
Performance Management Framework Activities	159	2%	150	2%	9	1%
Emergency Response Planning	143	1%	100	1%	43	3%
Qualitative Site Reviews	92	1%	59	1%	33	3%
Transcript Reviews	24	0%	23	0%	1	0%
Authorizers Instruments	6	0%	9	0%	(3)	(0%)
School Closures	-	-	110	1%	(110)	(9%)
Loss on Disposal of Assets	-	-	2	0%	(2)	(0%)
	<u>\$ 10,497</u>	<u>100%</u>	<u>\$ 9,212</u>	<u>100%</u>	<u>\$ 1,285</u>	<u>100%</u>

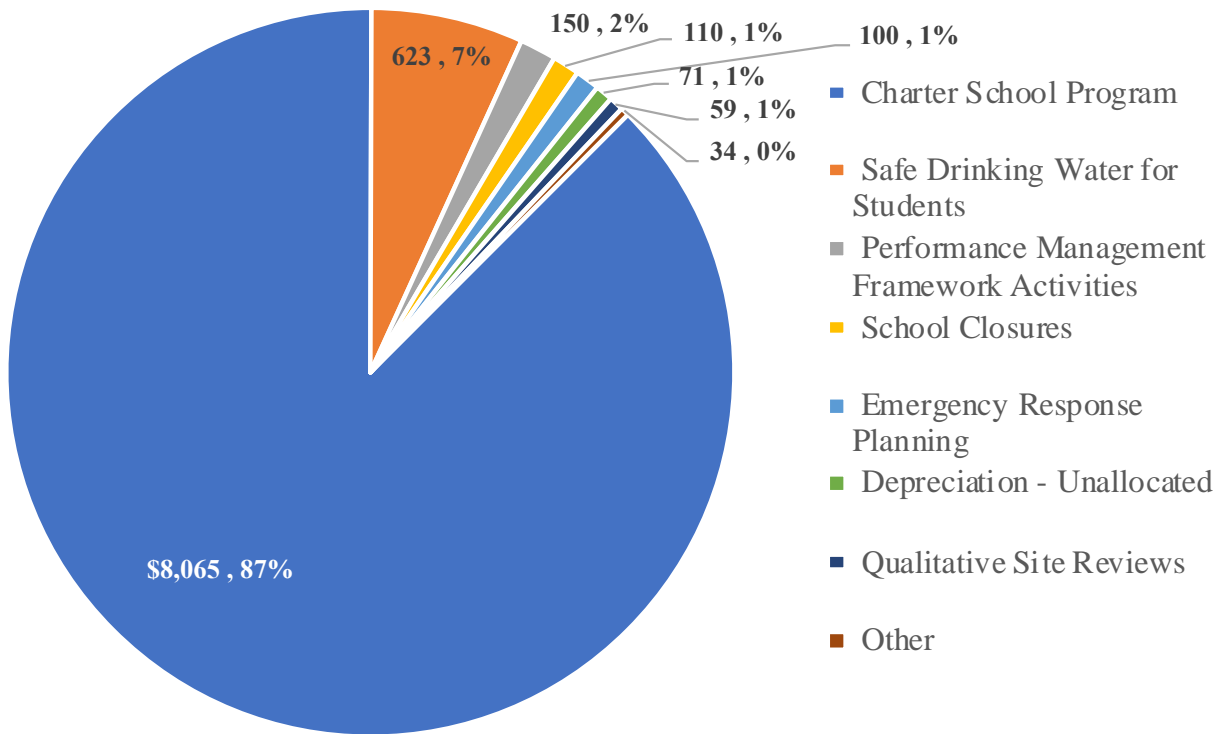
DC PUBLIC CHARTER SCHOOL BOARD
 (AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Financial Highlights (Continued)

Condensed Financial Information (Continued)

The \$1,285,000, or 14%, increase in expenses from FY 2021 to FY 2022 was due primarily to increases of \$492,000 in Depreciation - Unallocated expense from the adoption of the new lease accounting standards, \$340,000 in Safe Drinking Water for Students expenses, \$261,000 in COVID-19 Related Supports, and \$221,000 in Charter School Program expenses.

FY 2021 Operating Expenses by Function (in \$000s)
\$9.2 million



DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Financial Highlights (Continued)

Condensed Financial Information (Continued)

Table 4 - Expenses by Function for the Years Ended September 30, 2021 and 2020 (in \$000):

Expenses by Function:	2021		2020		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Charter School Program	\$ 8,065	88%	\$ 8,069	91%	\$ (4)	(0%)
Safe Drinking Water for Students	623	7%	214	2%	409	191%
Performance Management Framework Activities	150	2%	189	2%	(39)	(21%)
School Closures	110	1%	-	-	110	
Emergency Response Planning	100	1%	167	2%	(67)	(40%)
Depreciation - Unallocated	71	1%	83	1%	(12)	(14%)
Qualitative Site Reviews	59	1%	66	1%	(7)	(11%)
Transcript Reviews	23	0%	19	0%	4	21%
Authorizers Instruments	9	0%	16	0%	(7)	(44%)
Loss on Disposal of Assets	2	0%	5	0%	(3)	(60%)
Financial Review and Dashboard Reporting	-	-	66	1%	(66)	(100%)
Adult and Alternative Education	-	-	6	0%	(6)	(100%)
	<u>\$ 9,212</u>	<u>100%</u>	<u>\$ 8,900</u>	<u>100%</u>	<u>\$ 312</u>	<u>4%</u>

The \$312,000, or 4%, increase in expenses from FY 2020 to FY 2021 was due primarily to a \$409,000 increase in Safe Drinking Water for Students expenses, which increased from \$214,000 in FY 2020 to \$623,000 in FY 2021. In addition, School Closures expenses increased from \$0 in FY 2020 to \$110,000 in FY 2021. Partially offsetting the increase in expense was a combined decrease of \$188,000 in Charter School Program, Performance Management Framework Activities, Emergency Response Planning, Financial Review and Dashboard Reporting and Depreciation - Unallocated expenses.

Enrollment

According to the Office of the State Superintendent of Education (OSSE), the total FY 2022 audited Uniform Per Student Funding Formula (UPSFF) enrollment was 44,772 students, or 48%, of the District's public school UPSFF student population who attended public charter schools. This is a 1% increase from the 43,857 UPSFF students enrolled in FY 2021. Total administrative fee revenue increased by \$230,000, or 2%, from \$9,816,000 in FY 2021 to \$10,046,000 in FY 2022. Total administrative fee revenue increased by \$692,000, or 8%, from \$9,124,000 in FY 2020 to \$9,816,000 in FY 2021.

Factors Impacting Future Periods

There are several factors that could impact future financial periods. Many of these factors relate to the sources of the DC PCSB's funding including administrative fees as well as grants and contributions. Administrative fees generally are more than 90% of DC PCSB's total funding. These administrative fee revenues are impacted by the UPSFF, student enrollment, the number of new charter school openings and school closures, the administrative fee (1% of the charter school annual budgets in FY 2022), and the administrative fee discount (10% of the administrative fee in FY 2022).

DC PUBLIC CHARTER SCHOOL BOARD
(AN AGENCY FUND OF THE GOVERNMENT OF THE DISTRICT OF COLUMBIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022 AND 2021

Request for Information

Management's Discussion and Analysis is designed to provide a general overview of the DC PCSB's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Financial Manager, DC Public Charter School Board, 3333 14th Street NW, Suite 210, Washington, DC 20010.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 8,174,004	\$ -	\$ 8,174,004
Accounts Receivable	330,079	-	330,079
Prepaid Expenses	<u>189,282</u>	<u>-</u>	<u>189,282</u>
Total Current Assets	<u>\$ 8,693,365</u>	<u>\$ -</u>	<u>\$ 8,693,365</u>
<u>Non-Current Assets:</u>			
Deposits	\$ 23,376	\$ -	\$ 23,376
Capital Assets, Net of Accumulated Depreciation and Amortization	<u>645,631</u>	<u>-</u>	<u>645,631</u>
Total Non-Current Assets	<u>\$ 669,007</u>	<u>\$ -</u>	<u>\$ 669,007</u>
TOTAL ASSETS	<u>\$ 9,362,372</u>	<u>\$ -</u>	<u>\$ 9,362,372</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$ 815,403	\$ -	\$ 815,403
Accrued Payroll and Vacation	307,573	-	307,573
Payroll Related Liabilities	79,157	-	79,157
Unearned Revenues	287,532	-	287,532
Lease Liability	<u>435,002</u>	<u>-</u>	<u>435,002</u>
Total Current Liabilities	<u>\$ 1,924,667</u>	<u>\$ -</u>	<u>\$ 1,924,667</u>
<u>Non-Current Liabilities:</u>			
Lease Liability	<u>\$ 32,633</u>	<u>\$ -</u>	<u>\$ 32,633</u>
Total Non-Current Liabilities	<u>\$ 32,633</u>	<u>\$ -</u>	<u>\$ 32,633</u>
TOTAL LIABILITIES	<u>\$ 1,957,300</u>	<u>\$ -</u>	<u>\$ 1,957,300</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 645,631	\$ -	\$ 645,631
Restricted	<u>6,759,441</u>	<u>-</u>	<u>6,759,441</u>
TOTAL NET POSITION	<u>\$ 7,405,072</u>	<u>\$ -</u>	<u>\$ 7,405,072</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>Functions/Programs:</u>	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Charter School Program	\$ 8,285,376	\$ 10,046,057	\$ 9,700	\$ -	\$ 1,770,381	\$ -	\$ 1,770,381
Safe Drinking Water for Students	962,468	-	962,468	-	-	-	-
COVID-19 Related Supports	261,450	-	228,000	-	(33,450)	-	(33,450)
Performance Management Framework Activities	159,153	-	-	-	(159,153)	-	(159,153)
Emergency Response Planning	143,300	-	-	-	(143,300)	-	(143,300)
Qualitative Site Reviews	92,081	-	-	-	(92,081)	-	(92,081)
Transcript Reviews	24,400	-	-	-	(24,400)	-	(24,400)
Authorizers Instruments	6,377	-	-	-	(6,377)	-	(6,377)
Depreciation - Unallocated	<u>562,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(562,876)</u>	<u>-</u>	<u>(562,876)</u>
Total Governmental Activities	<u>\$ 10,497,481</u>	<u>\$ 10,046,057</u>	<u>\$ 1,200,168</u>	<u>\$ -</u>	<u>\$ 748,744</u>	<u>\$ -</u>	<u>\$ 748,744</u>
General Revenues:							
					\$ 16,482	\$ -	\$ 16,482
					<u>\$ 16,482</u>	<u>\$ -</u>	<u>\$ 16,482</u>
					\$ 765,226	\$ -	\$ 765,226
					<u>6,639,846</u>	<u>-</u>	<u>6,639,846</u>
					<u>\$ 7,405,072</u>	<u>\$ -</u>	<u>\$ 7,405,072</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	<u>Governmental</u> <u>Fund Type</u>	
	<u>General</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 8,174,004	\$ 8,174,004
Accounts Receivable	330,079	330,079
Deposits	<u>23,376</u>	<u>23,376</u>
 TOTAL ASSETS	 <u>\$ 8,527,459</u>	 <u>\$ 8,527,459</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	\$ 815,403	\$ 815,403
Accrued Payroll and Vacation	249,056	249,056
Payroll Related Liabilities	79,157	79,157
Unearned Revenues	<u>287,532</u>	<u>287,532</u>
 Total Liabilities	 <u>\$ 1,431,148</u>	 <u>\$ 1,431,148</u>
<u>Fund Balances:</u>		
Nonspendable	\$ 23,376	\$ 23,376
Restricted	7,039,085	7,039,085
Assigned	<u>33,850</u>	<u>33,850</u>
 Total Fund Balances	 <u>\$ 7,096,311</u>	 <u>\$ 7,096,311</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 8,527,459</u>	 <u>\$ 8,527,459</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$ 7,096,311
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$1,715,681, and the accumulated depreciation and amortization is \$1,070,050.	645,631
Expenditures paid in the current year relating to periods of the subsequent year such as insurance, employee benefits, etc., are deferred charges in the government-wide statements.	189,282
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(58,517)
Debt principal is reported in the governmental funds as an expenditure. However, in the government-wide statements these charges offset a liability account. Lease liability of \$467,635 is not reported as a liability in the funds.	<u>(467,635)</u>
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>\$ 7,405,072</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>
<u>Revenues:</u>	
Administrative Fees	\$ 10,046,057
Grants and Contributions	1,200,168
Interest Income	16,482
Total Revenues	\$ 11,262,707
<u>Expenditures:</u>	
Current:	
Wages	\$ 4,879,182
Fringe Benefits	1,123,853
Consultants	1,902,208
Technology - School-Based	1,010,327
Organizational Development	242,508
Office Rent and Utilities	68,867
Recruitment	196,441
Telephone and Electronic Communications	131,143
Professional Development	69,751
Website	55,030
Temporary Help	45,500
Bookkeeping and Payroll Fees	41,335
Subscriptions, Books, and Dues	35,402
Legal and Audit	34,062
Maintenance and Equipment Rental	32,625
Procurement/Contract Management	32,303
Travel, Meetings, and Conferences	26,072
Insurance	7,183
Office Supplies and Expense	6,132
Postage and Shipping	3,758
Publicity and Promotion	2,492
Community Events	1,614
Printing, Duplicating, and Production	90
Debt Service:	
Debt Service - Interest	2,902
Debt Service - Principal	557,792
Total Expenditures	\$ 10,508,572
Excess of Revenues Over/(Under) Expenditures	\$ 754,135
Fund Balances, Beginning of Year	6,342,176
Fund Balances, End of Year	\$ 7,096,311

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<u>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$	754,135
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. In the statement of activities the cost of assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>		(562,876)
<p>Debt principal is reported in the governmental funds as an expenditure. However, in the government-wide statements these charges offset a liability account. Principal payments made during the year were \$557,792.</p>		557,792
<p>Deferred charges are reported in the governmental funds as expenditures. However, in the government-wide financial statements such charges are recorded as prepaid expense. Prepaid expenses increased by this amount during the year.</p>		18,300
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		<u>(2,125)</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>\$</u>	<u>765,226</u>

(See Accompanying Notes and Auditor's Report)

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

The DC PCSB's financial statements are prepared in accordance with generally accepted accounting principles (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the DC PCSB are discussed below.

A. Financial Reporting Entity -

The DC PCSB was established within the District of Columbia Government as an independent agency as set forth in section 2214 of the District of Columbia School Reform Act of 1995. According to enabling legislation, the DC PCSB is not a body corporate or a body politic and thus the corporate powers are held by the primary government. Legislation has established the term of the DC PCSB as perpetual in nature.

Board Members are nominated by the Mayor of the District of Columbia and confirmed by the DC Council. The DC PCSB has been operating since February 1997 and has established a goal of helping to improve education for children, youth, and adults in the District of Columbia by authorizing quality public charter schools.

The DC PCSB was formed to grant charters to establish public charter schools and to provide oversight of such schools in Washington, DC. The DC PCSB reviews applications to develop public charter schools; awards or denies requests for charters; monitors the operations of public charter schools, as well as the progress of students in those schools; and renews charters, or withdraws and revokes charters of schools that fall short of their goals. The DC PCSB receives funding in the form of administrative fees from the schools that it charters and project-specific grants from the Government of the District of Columbia.

Component Unit Evaluation - The criteria for including organizations as component units within the DC PCSB's reporting entity, as set forth by GASB pronouncements, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the DC PCSB holds the corporate powers of the organization
- the DC PCSB appoints a voting majority of the organization's board
- the DC PCSB is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the DC PCSB
- there is fiscal dependency by the organization on the DC PCSB

The DC PCSB has reviewed and evaluated the applicable criteria and determined that there are no agencies that should be included as component units in these financial statements.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Financial Statements - Government-Wide Statements -

The DC PCSB's financial statements include both government-wide (reporting the DC PCSB as a whole) and fund financial statements (reporting the DC PCSB's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. The DC PCSB's activities and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The DC PCSB's net position is reported in three parts - invested in capital assets, net of related debt; restricted and unrestricted. When applicable, the DC PCSB first utilizes restricted resources to finance qualifying activities. In accordance with the School Reform Act § 38-1802.14(g-1)(4), the DC PCSB has reported restricted net position of \$6,759,441 for the year ended September 30, 2022.

The government-wide Statement of Activities reports both the gross and net cost of each of the DC PCSB's functions and business-type activities. The functions are also supported by general government revenues (intergovernmental revenues, interest, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Nonoperating revenues consist of interest revenue earned.

The net costs (by function or business-type activity) are normally covered by general revenues (intergovernmental revenues, interest, etc.).

The DC PCSB does not allocate indirect costs.

This government-wide focus is more on the sustainability of the DC PCSB as an entity and the change in the DC PCSB's net position resulting from the current year's activities.

C. Financial Statements - Fund Financial Statements -

The accounts of the DC PCSB are organized on the basis of a fund (a general fund of the Primary Government), which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purpose for which the funding is to be spent.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Financial Statements - Fund Financial Statements - (Continued)

The following fund type is maintained by the DC PCSB.

Governmental Fund Type

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the DC PCSB:

1. General Fund

The activities of the DC PCSB are accounted for in the General Fund of the District of Columbia Government. The General Fund is used to account for all financial resources not accounted for in other funds.

D. Measurement Focus and Basis of Accounting -

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources; the basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for principal and interest on long-term debt and certain other long-term obligations which are recognized when paid. Accrued compensated absences are recorded to the financial statements at the amount estimated to be used in the subsequent period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an other financing source.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus and Basis of Accounting - (Continued)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year end). All other revenue items are considered to be measurable and available only when the government receives cash. Any excess of revenues or expenditures at the year end is recorded as deferred revenue or a receivable.

E. Cash and Cash Equivalents -

For the purpose of financial statement presentation, cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less.

F. Capital Assets -

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Leasehold Improvements	5-40 years
Computers and Software	3-5 years
Furniture and Fixtures	5-10 years
Machinery and Equipment	5-7 years

From time to time, assets are purchased by the DC PCSB on behalf of a newly chartered public school. The policy of the DC PCSB is to transfer title to that charter school at the time of purchase. As such, these purchases are expensed at the time of acquisition and not capitalized in the financial statements.

G. Deferred Inflows of Resources -

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

H. Budgets and Budgetary Accounting -

GASB No. 34 requires governmental entities that legally adopt an annual budget to present, as Required Supplementary Information, a schedule with budget to actual comparisons. The purpose of this budgetary comparison is to demonstrate the government's compliance in obtaining and using financial resources in accordance with its legally adopted budget. Since the DC PCSB is not required by law to formally prepare and adopt an annual operating budget, a budget comparison has not been presented in these financial statements.

I. Accrued Compensated Absences -

Vacation Leave

The DC PCSB accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. Unused leave may be accumulated from year to year subject to maximum carryover provisions.

J. Revenues and Expenditures -

In accordance with GASB No. 33, regarding grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Expenditures are recognized when the related fund liability is incurred.

K. Equity Classifications -

Government-Wide Financial Statements

Equity in the Government-Wide Financial Statements is classified as net position and displayed in three components:

- 1) Net investment in capital assets - consists of capital assets, including cash and investments restricted for capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of these assets.
- 2) Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints are placed on the use of the assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

K. Equity Classifications - (Continued)

Government-Wide Financial Statements (Continued)

- 3) Unrestricted - the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines the types of fund balances that a governmental entity must use for financial reporting purposes. The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

The nonspendable fund balance classification reflects amounts that are not in spendable form such as prepaid expenses and deposits. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted Fund Balance

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the District of Columbia's highest level of decision-making authority. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the highest level of decision-making authority.

Assigned Fund Balance

The assigned fund balance classification reflects amounts that the DC PCSB *intends* to be used for specific purposes. Assignments may be established either by the governing body or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies: (Continued)

K. Equity Classifications - (Continued)

Fund Financial Statements (Continued)

Assigned Fund Balance (Continued)

In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action does not require the same level of formality and may be delegated to another body or official.

As of September 30, 2022, \$33,850 was internally assigned by the DC PCSB Board of Directors to be used for the specified purpose of expenses related to school closure, school oversight, general operating expenses, capital expenditures and employee compensation for which funds from other resources are not available for such purposes.

Unassigned Fund Balance

For this general fund, a positive unassigned fund balance has not been reported because amounts in this fund have been committed by the primary government, at least, to the purpose of the DC PCSB Board of Directors. However, deficits in the fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Classification Policies and Procedures

Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the District of Columbia through a resolution. A resolution also must be passed by the District to modify or rescind committed fund balances.

Order of Fund Balance Spending Policy

The DC PCSB's policy is to apply expenditures against restricted fund balances first when both restricted and unrestricted fund balances are available. When resources are available from multiple sources for a specific purpose, expenditures are applied against fund balances in the following order: Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

L. Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses at the date of the financial statements. Actual results could differ from these estimates.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 2 - Restatement:

The DC PCSB adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, on October 1, 2021. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. The DC PCSB determines if an arrangement contains a lease at inception based on whether the DC PCSB has the right to control the asset during the contract period and other facts and circumstances. DC PCSB then recognizes an intangible right-to-use asset and a lease liability. As a result of the implementation of GASB 87, the DC PCSB recorded a Lease Asset of \$944,836 and a Lease Liability of \$1,025,428 and decreased the deferred rent abatement by \$80,592 at October 1, 2021. This adjustment had no net effect on the DC PCSB's net position.

Note 3 - Cash, Cash Equivalents, and Investments:

In accordance with state law, all uninsured deposits of DC PCSB funds in financial institutions must be secured with acceptable collateral equal to at least 102% of the total of the District of Columbia funds held by the eligible financial institution. Acceptable collateral includes bonds, bills, or notes for which the interest and principal are guaranteed by the United States government; securities of a quasi-governmental corporation; investment grade obligations of the District or a state or local government; or collateralized mortgage obligations. As required by DC Code Title 47.351.02(c), the pledging financial institution is required to place collateral in a joint custody account established for the benefit of the District at the Federal Reserve Bank or in an independent third-party insured institution.

Deposits and investments of the DC PCSB are limited by state law to the following:

1. Bonds, bills, notes, or other obligations issued by the United States government;
2. Federally insured negotiable certificates of deposit or other insured or uninsured evidences of deposit at a financial institution;
3. Bonds, bills, notes, mortgage-backed or asset-backed securities, or other obligations of a quasi-governmental corporation;
4. Prime banker acceptances that do not exceed 270 days maturity;
5. Prime commercial paper that does not:
 - a. Have a maturity that exceeds 180 days; and
 - b. Exceed 10% of the outstanding commercial paper of the issuing corporation at the time of purchase;
6. Investment grade obligations of the District or a state or local government;
7. Repurchase agreements for the sale or purchase of securities by the District under the condition that, after a stated period of time, the original seller or purchaser will buy back or sell the securities at an agreed price that shall include interest;
8. Investment grade asset-backed or mortgaged-backed securities; or
9. Money market funds registered with the Securities and Exchange Commission and which meet the requirements of rule 2(a)(7) of the Investment Company Act of 1940, approved August 22, 1940.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 3 - Cash, Cash Equivalents, and Investments: (Continued)

Cash at September 30, 2022, and for the fiscal year then ended, consisted of interest bearing and non-interest bearing accounts carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as “Cash and Cash Equivalents.” At September 30, 2022, the carrying amount and bank balance of the DC PCSB’s Cash and Cash Equivalents was \$8,174,004. A summary of these balances are as follows:

	<u>Bank Balances</u>	<u>Carrying Balances</u>
Non-Interest Bearing - Checking	\$ 5,644,537	\$ 5,644,537
Government Money Market	<u>2,529,467</u>	<u>2,529,467</u>
Total Cash and Cash Equivalents	<u>\$ 8,174,004</u>	<u>\$ 8,174,004</u>

The DC PCSB maintains its deposits in one financial institution in the form of a non-interest bearing checking account and a government money market account.

The checking account is covered under the Federal Deposit Insurance Corporation (FDIC) program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000. As of September 30, 2022, \$5,394,537 of the bank balance was deposited in excess of Federal Deposit Insurance Corporations limits.

As of September 30, 2022, \$2,529,467 was held in a government money market fund that was not federally insured. The money market funds seek to maintain a share price of \$1.00.

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that in the event of a bank failure, the DC PCSB’s deposits may not be returned to it. The DC PCSB does not have a deposit policy for custodial credit risk.

In accordance with the provisions of the Financial Institutions Deposit and Investment Act of 1997 (DC Law 12-56), which became effective on March 18, 1998, checking account deposits at September 30, 2022, were insured or collateralized with securities held by its agent (The Bank of New York Mellon) in the District of Columbia’s name.

Note 4 - Accounts Receivable:

Accounts receivable at September 30, 2022, is considered to be fully collectible and consisted of the following:

Grants	\$ 228,000	
School Administrative Fees	83,445	
Other Reimbursements	<u>18,634</u>	
Total	<u>\$ 330,079</u>	

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 5 - Capital Assets:

Capital asset activity for the year ended September 30, 2022, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Leasehold Improvements	\$ 417,407	\$ -	\$ -	\$ 417,407
Computers and Software	258,852	-	(635)	258,217
Furniture and Fixtures	44,019	-	-	44,019
Machinery and Equipment	<u>51,202</u>	<u>-</u>	<u>-</u>	<u>51,202</u>
Total Capital Assets	<u>\$ 771,480</u>	<u>\$ -</u>	<u>\$ (635)</u>	<u>\$ 770,845</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	\$ (199,102)	\$ (18,012)	\$ -	\$ (217,114)
Computers and Software	(230,270)	(20,572)	635	(250,207)
Furniture and Fixtures	(35,731)	(2,810)	-	(38,541)
Machinery and Equipment	<u>(42,706)</u>	<u>(3,576)</u>	<u>-</u>	<u>(46,282)</u>
Total Accumulated Depreciation	<u>\$ (507,809)</u>	<u>\$ (44,970)</u>	<u>\$ 635</u>	<u>\$ (552,144)</u>
Total Capital Assets, Net	<u>\$ 263,671</u>	<u>\$ (44,970)</u>	<u>\$ -</u>	<u>\$ 218,701</u>
Lease Assets:				
Building	\$ 863,785	\$ -	\$ -	\$ 863,785
Machinery and Equipment	<u>81,051</u>	<u>-</u>	<u>-</u>	<u>81,051</u>
Total Lease Assets	<u>\$ 944,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 944,836</u>
Less Accumulated Amortization for:				
Building	\$ -	\$ (493,591)	\$ -	\$ (493,591)
Machinery and Equipment	<u>-</u>	<u>(24,315)</u>	<u>-</u>	<u>(24,315)</u>
Total Accumulated Amortization	<u>\$ -</u>	<u>\$ (517,906)</u>	<u>\$ -</u>	<u>\$ (517,906)</u>
Total Lease Assets, Net	<u>\$ 944,836</u>	<u>\$ (517,906)</u>	<u>\$ -</u>	<u>\$ 426,930</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,208,507</u>	<u>\$ (562,876)</u>	<u>\$ -</u>	<u>\$ 645,631</u>

Depreciation Expense was \$562,876 for the year ended September 30, 2022, and is reflected in the statement of activities as Depreciation - Unallocated.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 6 - Administrative Fees:

As authorized by Section 2211(b)(2) of the District of Columbia School Reform Act (as amended), the DC PCSB assesses an administrative fee on each charter school it serves at an amount not to exceed one percent of the annual budget of the charter school. This fee is for the purpose of covering the cost of undertaking the ongoing administrative responsibilities of the DC PCSB.

Through the year ended September 30, 2012, it was the policy of the DC PCSB to assess this fee based on the total per-pupil funding payments (including Summer School and Special Education) made to each charter school from the Office of State Superintendent of Education (OSSE). An original assessment was provided to each charter school at the beginning of the school year based on its anticipated student enrollment. Subsequent to the close of the school year, a retroactive adjustment was made either increasing or decreasing the assessment based on final OSSE audit enrollment counts including summer school and special education.

Effective October 1, 2012, the DC PCSB amended its policy for the determination of the amount of the administrative fee assessment. A preliminary assessment is made at the beginning of each school's fiscal year (approximately October) based on the charter school's total budgeted revenues less those revenues derived through private philanthropy, special events, and investment income.

Once the final Federal Form 990 Information Tax Return is filed subsequent to each school's year-end (approximately February of the subsequent year), a retroactive billing adjustment is provided to each charter school based on its final audited financial statements. During the year ended September 30, 2022, additional administrative fee income was recognized based on Form 990 tax returns filed by February 15, 2022, that related to each charter school's fiscal year end of June 30, 2021.

Note 7 - Leases:

Office Lease - Tivoli Square

The DC PCSB entered into a lease agreement on February 28, 2005, effective July 15, 2005, with Tivoli Partners Commercial, LLC, for the rental of 6,004 square feet of office space located on the second floor at 3333 14th Street, NW, Washington, DC ("Suite 210"). This original lease was scheduled to expire on June 30, 2015, however an amendment to this lease was executed on December 19, 2014. The amended lease term is effective for a sixty-five (65) month period beginning on February 1, 2015, and expiring on June 30, 2020. Included in the amended lease is the rental of an additional 1,571 square feet of expanded office space ("Suite M-100") as well as 3,407 square feet of existing office space located on the third floor ("Suite 310"), formerly sublet from Sojourners. After a ninety (90) day abatement period, monthly rent payments of \$37,805 began on May 1, 2015. The lease called for a yearly escalation of 2.5% effective on the first day of January of each successive year. As an additional requirement of this lease agreement, a rental security deposit in the amount of \$23,376 was required.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 7 - Leases: (Continued)

Office Lease - Tivoli Square (Continued)

A second amendment to the lease was executed in September 2019, which extended the lease term through June 30, 2023. The lease calls for a yearly escalation effective on the first day of January of each successive year. The DC PCSB also received a rental abatement for the two months of July and August 2020. Per the terms of the second amendment, there is a one-time option to extend the lease term for an additional three-year period through June 30, 2026. Monthly base lease payments required in accordance with the lease at September 30, 2022, were \$47,202. The DC PCSB is obligated to pay a proportion of the annual increase in operating costs and real estate taxes on the leased property. An estimate of the annual operating costs has not been provided for below.

In accordance with Governmental Accounting Standards Board Statement No. 87, *Leases*, the DC PCSB recorded a Lease Asset of \$863,785 and a Lease Liability of \$944,377 at October 1, 2021.

During the year ended September 30, 2022, there was amortization expense of \$493,591 on the building office space included in amortization expense. Following is a summary of the assets held under this lease:

Building Office Space - Cost	\$	863,785
Less: Accumulated Amortization		<u>(493,591)</u>
Net Book Value		<u>\$ 370,194</u>

Interest expense for the year ended September 30, 2022 was \$2,444, using an interest rate of .3485%. The balance of the lease liability at September 30, 2022 was \$410,714. Future minimum payments due under this lease are as follows:

<u>Year Ending September 30,</u>	<u>Total</u> <u>Payments</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ <u>411,314</u>	\$ <u>410,714</u>	\$ <u>600</u>
Total	\$ <u>411,314</u>	\$ <u>410,714</u>	\$ <u>600</u>

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 7 - Leases: (Continued)

Copier Leases

On September 4, 2019, the DC PCSB entered into a lease agreement for the rental of three Konica Minolta Bizhub C658 photocopiers. This lease calls for sixty-three (63) monthly payments of \$2,049 beginning in November 2019. As per the terms of this agreement, the previous agreement for Konica C654e photocopiers was terminated.

In accordance with Governmental Accounting Standards Board Statement No. 87, *Leases*, the DC PCSB recorded a Lease Asset of \$81,051 and a Lease Liability of \$81,051 at October 1, 2021.

During the year ended September 30, 2022, there was amortization expense of \$24,315 on the photocopiers included in amortization expense. Following is a summary of the assets held under this lease:

Photocopiers - Cost	\$	81,051
Less: Accumulated Amortization		<u>(24,315)</u>
Net Book Value		<u>\$ 56,736</u>

Interest expense for the year ended September 30, 2022 was \$458, using an interest rate of .6545%. The balance of the lease liability at September 30, 2022 was \$56,921. Future minimum payments due under this lease are as follows:

<u>Year Ending September 30,</u>	<u>Total</u> <u>Payments</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 24,588	\$ 24,288	\$ 300
2024	24,588	24,448	140
2025	<u>8,196</u>	<u>8,185</u>	<u>11</u>
Total	<u>\$ 57,372</u>	<u>\$ 56,921</u>	<u>\$ 451</u>

Note 8 - Contingencies and Risk Management:

The viability of public charter schools and funding for these schools and the DC PCSB is dependent on the consensus of current and future administration of the District of Columbia. Any future change in dynamics could adversely affect the operation of public charter schools.

The DC PCSB is subject to various litigation and claims arising out of the course of its operations. While the results of the lawsuits cannot be predicted with certainty, management does not believe these matters will have an adverse effect on the organization's overall financial position. The organization assumes the liability for most risk including, but not limited to, property damage and personal injury liability, however the District of Columbia Government is responsible for any such liability that may result of any such lawsuit. Such risks are covered by the purchase of commercial insurance.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 8 - Contingencies and Risk Management: (Continued)

Workers compensation coverage is provided through a retrospective policy, wherein premiums are recorded based on the ultimate cost of the experience to date of workers in similar occupations. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The DC PCSB has been impacted by the effects of the worldwide coronavirus pandemic. The DC PCSB is closely monitoring its operations and is actively working to minimize any adverse current and future impacts of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the DC PCSB's financial position is not known.

Note 9 - Economic Dependency:

Administrative fees received from two charter schools represent twenty-four percent (24%) of current year revenues.

Note 10 - Subsequent Events:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 16, 2023, 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.

Note 11 - Pension Plan:

The DC PCSB provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by TIAA-Cref. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. On the plan effective date, which began in June 1999, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions and contribution requirements are established and may be amended by the Board Members of the DC PCSB. There is no unfunded past service liability.

Effective January 1, 2007, the DC PCSB began matching 1.5% for every 1% the employee contributes up to 3%. There is a further match of 0.5% for every 1% between 3.1% up to 5%. The DC PCSB's contributions on all covered employees for the year ended September 30, 2022, amounted to \$189,408.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS

Note 12 - Fringe Benefits:

Fringe Benefits incurred for the year ended September 30, 2022, is comprised of the following:

Health Insurance	\$ 496,867
Social Security/Medicare	349,837
Retirement	189,408
Commuter Benefits	26,991
Paid Leave Tax	23,086
Disability	13,325
Workers Compensation	8,403
Unemployment	12,088
Life Insurance	<u>3,848</u>
 Total Fringe Benefits	 <u>\$ 1,123,853</u>

Transportation Plan

The DC PCSB adopted a Section 132(f) Commuter Expense Reimbursement Plan. Under this plan, employees receive reimbursement for commuting to and from work on a tax favored (pre-tax) basis. The DC PCSB pays for commuter vehicle expense, transit passes, and qualified parking.

Flexible Benefits Plan

The DC PCSB adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for insurance premiums, unreimbursed medical expenses, and dependent care expenses.

Note 13 - Consulting:

Consulting expense incurred for the year ended September 30, 2022, is comprised of the following:

School Special Projects - Water Filters	\$ 962,468
Communications	266,374
COVID-19 Response	261,450
Emergency Response Plan	143,300
Qualitative Site Reviews	93,053
Other	71,796
Training	52,576
Transcript Reviews	24,400
PMF Data Analysis	20,478
Compliance Audits	<u>6,313</u>
 Total	 <u>\$ 1,902,208</u>

Kendall, Prebola and Jones, LLC
Certified Public Accountants

District of Columbia Public
Charter School Board
3333 14th Street, NW, Suite 210
Washington, DC 20010

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the District of Columbia Public Charter School Board, an agency of the District of Columbia, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District of Columbia Public Charter School Board's basic financial statements, and have issued our report thereon dated March 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District of Columbia Public Charter School Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District of Columbia Public Charter School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

Report on Compliance and Other Matters

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

Purpose of this Report

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
March 16, 2023

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings reported in the prior year.

DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

I. Summary of Auditor's Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the District of Columbia Public Charter School Board were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies or material weaknesses 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 District of Columbia Public Charter School Board, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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.