

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
*(Together With Independent Auditor's Report)*



**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
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## INDEPENDENT AUDITOR'S REPORT

1090 Vermont Ave., NW  
Suite 920  
Washington, DC 20005  
P.O. Box 2478  
Kingshill, VI 00851  
111 South Calvert St.  
Suite 2700  
Baltimore, MD 21202

Board of Trustees  
Cedar Tree Academy Public Charter School  
Washington, D.C.

### Report on Financial Statements

We have audited the accompanying financial statements of Cedar Tree Academy Public Charter School (the School) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of vendor awarded contracts over \$25,000 on page 14 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.

### *Report on Summarized Comparative Information*

We have previously audited the School's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, October 26, 2018. In our opinion, the comparative information presented therein, as of and for the year ended June 30, 2018 is consistent in all material respects, with the audited financial statements from which it was derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control over financial reporting and compliance.

*Bert & Smith & Co.*

October 25, 2019  
Washington, D.C.

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**  
*(With Comparative Totals for 2018)*

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 11,198,196	\$ 10,850,472
Due from District Government	91,928	97,865
Other Receivables	11,573	-
Investments	300,595	296,167
Interest Rate Swap	-	193,253
Other Assets	24,951	61,005
<b>Total Current Assets</b>	<b>11,627,243</b>	<b>11,498,762</b>
<b>Noncurrent Assets</b>		
Restricted Cash	483,000	483,000
Property and Equipment, net	8,521,396	8,635,912
<b>Total Noncurrent Assets</b>	<b>9,004,396</b>	<b>9,118,912</b>
<b>Total Assets</b>	<b>\$ 20,631,639</b>	<b>\$ 20,617,674</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 94,610	\$ 84,624
Accrued Payroll and Taxes	296,449	312,754
Interest Rate Swap	60,219	-
Deferred Revenue	720	-
Notes Payable, net	329,567	320,057
<b>Total Current Liabilities</b>	<b>781,565</b>	<b>717,435</b>
<b>Noncurrent Liabilities</b>		
Notes Payable, net	4,237,159	5,030,465
<b>Total Noncurrent Liabilities</b>	<b>4,237,159</b>	<b>5,030,465</b>
<b>Total Liabilities</b>	<b>5,018,724</b>	<b>5,747,900</b>
<b>Net Assets</b>		
Without Donor Restrictions	15,612,915	14,869,774
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,631,639</b>	<b>\$ 20,617,674</b>

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

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
*(With Comparative Totals for 2018)*

	<b>2019</b>	<b>2018</b>
<b>Revenue and Support without donor restrictions</b>		
Per Pupil Allotment	\$ 7,181,117	\$ 7,403,957
Federal Revenue	689,696	657,715
Grant Revenue	13,453	27,291
Before and After Care	158,009	160,477
Interest Income	38,535	13,922
Rental Income	264,000	252,000
Other Income	2,528	5,357
<b>Total Revenue and Support without donor restrictions</b>	<b>8,347,338</b>	<b>8,520,719</b>
 <b>Expenses</b>		
Program Services	5,505,041	5,420,735
Management and General	1,842,916	2,424,834
Fundraising	2,768	-
<b>Total Expenses</b>	<b>7,350,725</b>	<b>7,845,569</b>
 <b>Change in Net Assets Before Interest Rate Swap Fair Value Change</b>	<b>996,613</b>	<b>675,150</b>
 <b>Interest Rate Swap Fair Value Change</b>	<b>(253,472)</b>	<b>187,358</b>
 <b>Change In Net Assets</b>	<b>743,141</b>	<b>862,508</b>
<b>Net Assets, Beginning of Year</b>	<b>14,869,774</b>	<b>14,007,266</b>
<b>Net Assets, End of Year</b>	<b>\$ 15,612,915</b>	<b>\$ 14,869,774</b>

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

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
*(With Comparative Totals for 2018)*

	<b>Program Services</b>	<b>General and Administration</b>	<b>Fundraising</b>	<b>2019</b>	<b>2018</b>
<b>Personnel Costs</b>					
Salaries and Wages	\$ 2,957,300	\$ 922,793	\$ -	3,880,093	\$ 4,410,297
Employee Benefits	223,541	69,753	-	293,294	292,084
Payroll Taxes	246,022	76,769	-	322,791	363,747
Professional Development	125,492	39,158	-	164,650	224,329
Travel and Meetings	42,596	13,292	-	55,888	50,512
<b>Total Personnel Costs</b>	<b>3,594,951</b>	<b>1,121,765</b>	<b>-</b>	<b>4,716,716</b>	<b>5,340,969</b>
<b>Direct Student Costs</b>					
Supplies and Materials	185,303	-	-	185,303	202,771
Transportation	2,625	-	-	2,625	-
Contracted Instruction Fees	183,122	-	-	183,122	132,572
Food Service/Catering	272,238	-	-	272,238	275,152
Student Assessment	14,058	-	-	14,058	13,575
Other Student Costs	357,864	-	-	357,864	337,550
<b>Total Direct Student Costs</b>	<b>1,015,210</b>	<b>-</b>	<b>-</b>	<b>1,015,210</b>	<b>961,620</b>
<b>Occupancy Expenses</b>					
Maintenance and Repairs	158,197	49,364	-	207,561	230,397
Utilities	112,833	35,209	-	148,042	133,396
Janitorial Supplies	3,087	963	-	4,050	-
Contracted Building Services	141,958	44,297	-	186,255	187,902
<b>Total Occupancy Expenses</b>	<b>416,075</b>	<b>129,833</b>	<b>-</b>	<b>545,908</b>	<b>551,695</b>
<b>Office Expenses</b>					
Supplies and Materials	52,787	16,471	-	69,258	56,243
Equipment Rental	20,690	6,456	-	27,146	27,238
Telecommunications	22,126	6,904	-	29,030	15,825
Professional Fees	53,300	191,969	-	245,269	219,974
Printing and Publications	7,489	2,337	-	9,826	6,724
Postage and Shipping	2,275	710	-	2,985	1,593
Computer and Related Expenses	54,123	16,889	-	71,012	63,608
<b>Total Office Expenses</b>	<b>212,790</b>	<b>241,736</b>	<b>-</b>	<b>454,526</b>	<b>391,205</b>
<b>General Expenses</b>					
Insurance	-	46,762	-	46,762	40,269
Interest Expense	-	202,250	-	202,250	186,316
Administration Fee	61,393	19,156	-	80,549	76,556
Depreciation	204,622	63,851	-	268,473	263,285
Fees and Licenses	-	12,943	-	12,943	22,141
Other General Expenses	-	4,620	2,768	7,388	11,513
<b>Total General Expenses</b>	<b>266,015</b>	<b>349,582</b>	<b>2,768</b>	<b>618,365</b>	<b>600,080</b>
<b>Total Expenses</b>	<b>\$ 5,505,041</b>	<b>\$ 1,842,916</b>	<b>\$ 2,768</b>	<b>\$ 7,350,725</b>	<b>\$ 7,845,569</b>

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
*(With Comparative Totals for 2018)*

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 743,141	\$ 862,508
<i>Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation	268,473	263,285
Unrealized Loss (Gain) on Interest Rate Swap	253,472	(187,358)
Property and Equipment Disposal	9,000	-
Amortization of Debt Issuance Costs	14,724	14,724
<i>(Increase) Decrease in Assets</i>		
Due from District Government	5,937	(8,630)
Other Receivables	(11,573)	-
Other Assets	36,054	(21,808)
<i>(Decrease) Increase in Liabilities</i>		
Accounts Payable	9,986	30,201
Accrued Payroll and Taxes	(16,305)	(40,966)
Deferred Revenue	720	(4,943)
<b>Net Cash Provided by Operating Activities</b>	<b>1,313,629</b>	<b>907,013</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(4,428)	(2,695)
Purchase of Fixed Assets	(162,957)	(102,350)
<b>Net Cash Used in Investing Activities</b>	<b>(167,385)</b>	<b>(105,045)</b>
<b>Cash Flows from Financing Activities</b>		
Payments on Martin Luther King Campus Loan	(125,425)	(189,736)
Payments on Notes Loan Payable	(673,095)	(120,761)
<b>Net Cash Used in Financing Activities</b>	<b>(798,520)</b>	<b>(310,497)</b>
<b>Net Increase in Cash and Cash Equivalents and Restricted Cash</b>	347,724	491,471
<b>Cash and Cash Equivalents and Restricted Cash, Beginning of Year</b>	11,333,472	10,842,001
<b>Cash and Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 11,681,196</b>	<b>\$ 11,333,472</b>
<b>Supplemental Disclosure</b>		
Interest Expense Paid	\$ 187,526	\$ 171,592

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



**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2019

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations:*** Cedar Tree Academy Public Charter School (the School), formerly known as Howard Road Public Charter School was organized in 1999 to operate a charter school pursuant to Section 2203 of the District of Columbia Education Law. On May 1, 2000, the School was granted a charter by the D.C. Public Charter School Board (PCSB) for a term of fifteen years, which was subsequently renewed. The School serves students in grades PK-3 through kindergarten.

During the fiscal year, the School made changes to its charter school agreement. Beginning in SY 2020-2021, the School plans to add first grade to its existing PK3-K program. Thereafter, the School plans to add a new grade level each year until it educates 100 students in each grade for PK3-3. The School's current enrollment ceiling of 600 students accommodates the expansion without an enrollment ceiling increase amendment.

The School believes all children have the right to be respected, accepted and embraced as having capable, young minds. As its mission, the School is committed to academic excellence for all students and achieves this by building a foundation for lifelong learning, in a safe, nurturing learning environment.

The School's major source of funding is an annual per pupil allotment from the Government of the District of Columbia (District). The School also receives funding from the federal government, student fees, and activities.

***Basis of Accounting:*** The accompanying financial statements of the School have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Net Asset Classification:*** The School's financial statements follow accounting standards for financial statements of not-for-profit organizations. Under these standards, the School reports information regarding its financial position and activities according to the following net asset classifications.

- **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the School's management and the board of directors.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. If a donor restriction expires in the same reporting period, the School reports the contributions as without donor restrictions.

***Cash and Cash Equivalents:*** The School considers all highly liquid investments with maturities of three months or less to be cash equivalents.

**Property and Equipment:** The School capitalizes bulk purchases as a group that had a unit cost in excess of \$1,000 and had total monetary values for one time acquisitions exceeding \$5,000. Depreciation expense is recorded using the straight-line method over the fixed assets estimated useful lives. Leasehold improvements are depreciated over the lease term.

Maintenance and repairs are expensed when incurred. The estimated useful lives are as follows:

Building	30 years
Building Improvements	30 years
Furniture and Equipment	7 years
Computers	3 years
Textbooks	5 years

**Income Taxes:** The School, a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local income taxes, and, accordingly, no provision for income taxes is included in the financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740) requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. As of June 30, 2019, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

The School’s tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**Investments:** Investments are reported at fair value. Investment income is recognized as revenue and reported in the statement of activities and changes in net assets as increases or decreases in unrestricted unless it is temporarily restricted.

**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 certain amounts of assets and liabilities. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses:** The costs of providing the various programs and other activities have been summarized as additional information on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses are allocated based on direct charges and the estimated percentage of time employee spent between program and general and administration functions.

**Pronouncements Adopted:** FASB 958, “*Presentation of Financial Statements of Not-for-Profit Entities*”. This standard enhances disclosures and amends the requirements for financial statements and notes for non-profit organizations to require the presentation of the financial statements in two classes of net assets rather than for the currently required three classes. In addition, the amendment no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

**Pronouncements to be Adopted:** Accounting Standards Update (ASU) Topic 230, “Statement of Cash Flows”. The amendment require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The School has elected not to early implement.

## NOTE 2 CASH AND CASH EQUIVALENTS

### **Restricted Cash**

Under the School’s interest rate swap loan agreements (see Note 8), the School is required to reserve \$483,000 of its operating cash.

### **Concentration of Credit Risk**

The School maintains its cash in several financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the uninsured cash balances totaled \$11,120,765.

## NOTE 3 AVAILABILITY AND LIQUIDITY

The following table represents the School’s financial assets at June 30, 2019:

Financial assets at year-end:	
Cash and Cash Equivalents	\$11,681,196
Due from District	91,928
Other Receivables	11,573
Investments	300,595
Total Financial Assets	<u>12,085,292</u>
Less amounts not available to be used for general expenditures within one year:	
Interest Rate Swap Cash Restriction	<u>483,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$11,602,292</u>

The School has sufficient funds to pay to its operating expenses. The School has the financial resources to meet its operating expenses for approximately 617 days, which is more than the guidelines required by the D.C. Charter School Board.

## NOTE 4 DUE FROM DISTRICT GOVERNMENT

The School receives an annual per pupil allotment and federal funds as a pass-through from the District. At June 30, 2019, the amounts due from the District were \$91,928.

## NOTE 5 INVESTMENTS

At June 30, 2019, the School's investments, which are reported at fair value consists of certificate of deposits totaling \$300,595.

## NOTE 6 FAIR VALUE MEASUREMENTS

In accordance with ASC No. 820-10, the School's assets and liabilities are reported at fair value. ASC No. 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels.

- Level 1** Quoted market prices for identical assets or liabilities in active markets.
- Level 2** Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3** Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

The fair value of the School's assets and liabilities measured on a recurring basis at June 30, 2019 is as follows:

	<u>Level 1</u>	<u>Level 2</u>
<b>Assets:</b>		
Cash Equivalents	\$ 3,666,614	\$ -
Investments - Certificates of Deposit	-	300,595
<b>Liabilities:</b>		
Interest Rate Swap	\$ -	\$ 60,219

*Certificates of Deposit* are valued based on original cost plus accrued interest.

*Interest rate swaps* are valued based on several market inputs such as interest rates, swap spreads, and yield curves.

## NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Land	\$ 989,979
Buildings	9,369,586
Building Improvements	501,569
Furniture and Equipment	2,128,254
Textbooks	440,319
Total Fixed Assets	<u>13,429,707</u>
Less: Accumulated Depreciation	<u>(4,908,311)</u>
Net Fixed Assets	<u>\$ 8,521,396</u>

Depreciation expense during the fiscal year ended June 30, 2019 was \$268,473.

**NOTE 8 INTEREST RATE SWAPS**

The School has two interest rate swap agreements with BB&T to reduce the impact of changes in interest rates on its floating rate long-term debt. The interest rate swap agreements, which expire on December 1, 2024 covers the School's \$4,400,000 and \$2,900,000 loans. Under the agreements, the School pays the bank a fixed interest rate of 2.72% and 3.25%, respectively. During the fiscal year, School paid interest of \$99,757 and received interest income of \$17,763. At June 30, 2019, the interest rate swaps are shown as a liability in the statement of financial position valued at \$60,219.

**NOTE 9 NOTES PAYABLE**

***Bond Financing***

In August 2004, the School purchased the main campus for \$7,000,000. The purchase was financed with a \$6,215,000 short-term bridge loan from a bank and a \$1,250,000 loan from the D.C. Office of Public Charter School Financing and Support which was subsequently paid in full in 2009.

In November 2004, the District issued in \$6,295,000 Series 2004 bonds. The bond proceeds were used to pay-off the School's short-term bridge loan. The bonds mature in 2024 and bear a variable interest rate. Pursuant to the bond issuance, the School entered into a loan agreement with the District.

In November 2012, the School refinanced the \$4,400,000 outstanding balance with BB&T. The loan matures on December 1, 2024 and has an interest rate of BBA Monthly LIBOR + 135 BPS. The debt issuance costs related to the note totaled \$276,161. These costs are amortized over the life of note and are reflected as a reduction to the note payable in the statement of financial position. The amortization of the debt issuance costs, which is reflected as interest expense in the statement of functional expense, was \$14,724 for 2019. At June 30, 2019, the unamortized debt issuance costs totaled \$179,220.

During the fiscal year 2019, the School paid interest to the Bond Trustee totaling \$48,606. At June 30, 2019, the total amount payable under the loan was \$2,757,785.

The loan is secured by all of the School's assets and properties, including without limitation, all existing and future property of the School. The loan also requires the School to maintain debt service coverage no less than 1.50:1 and a minimum liquidity of \$3,000,000. The School was in compliance with the covenants at June 30, 2019.

The minimum principal payments as of June 30, 2019 are as follows:

2020	\$ 200,331
2021	205,848
2022	211,518
2023	217,343
2024	223,329
Thereafter	<u>1,699,416</u>
Total	<u>\$ 2,757,785</u>

	Note Payable	Unamortized Debt Issuance Costs	Net Note Payable
Current Portion	\$ 200,331	\$ (14,724)	\$ 185,607
Long-term Portion	<u>2,557,454</u>	<u>(164,496)</u>	<u>2,392,958</u>
	<u>\$ 2,757,785</u>	<u>\$ (179,220)</u>	<u>\$ 2,578,565</u>

***Martin Luther King Campus Loan***

On August 31, 2009, the School obtained a \$3,000,000 loan to purchase a building on Martin Luther King Avenue for a second campus. In November 2012, the School refinanced this loan for \$2,900,000. The loan matures on December 1, 2024 and has an interest rate of BBA Monthly LIBOR + 135 BPS. This loan is hedged with a swap as described in Note 8 and is currently held with BB&T. The loan is secured by the building.

Interest paid during the fiscal year 2019 was \$39,163. At June 30, 2019, the total amount payable under the loan was \$1,988,161.

The minimum principal payments at June 30, 2019 are as follows:

2020	\$ 129,236
2021	133,513
2022	137,931
2023	142,495
2024	147,210
Thereafter	<u>1,297,776</u>
Total	<u>\$1,988,161</u>
Current Portion	\$ 129,236
Long-term Portion	<u>1,858,925</u>
Total	<u>\$1,988,161</u>

**NOTE 10 PER PUPIL ALLOTMENT**

The School receives an annual per pupil allotment from the District that is based on its student enrollment. The pupil allotment represented about 86% of the School's total revenue for fiscal year 2019. The per pupil allotment consist of the following at year-end:

Education	\$ 5,135,501
Facilities	1,171,417
At-Risk	584,911
Special Education	289,288
Total	<u>\$ 7,181,117</u>

**NOTE 11 RENTAL INCOME**

The School leased its former Martin Luther King campus to another local charter school. The lessee signed a one-year lease. In 2019, rental income totaled \$264,000.

**NOTE 12 RETIREMENT PLAN**

The School offers its employees a 401(k) plan. It matches up to 4% of the employees' salary at \$.25 on the dollar. In 2019, the School retirement contribution totaled \$59,086.

**NOTE 13 SUBSEQUENT EVENTS**

The School has evaluated any subsequent events through October 25, 2019, which is the date the financial statements were available to be issued. This review and evaluation revealed no material events that would have an effect on the accompanying financial statements.

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**SUPPLEMENTAL SCHEDULE OF VENDOR AWARDED CONTRACTS OVER \$25,000**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>Vendor Name</b>	<b>Type of Service</b>	<b>Contract Award</b>	<b>Contract Period</b>	<b>Amount Paid</b>
Revolution Foods, Inc.	Food Service	246,325	one year	\$ 226,821
CareFirst BlueCross BlueShield	Health Insurance	N/A	N/A	190,770
Capitol Services Management, Inc.	Building Maintenance Services	1,200,000	five years	189,423
Infinite Potential	Comprehensive Psychological Evaluation	800,000	five years	173,980
EdOps	Finance, Accounting, and Student Data Services	800,000	five years	138,189
KJ Consulting Kamila Johnson	Professional Development	650,000	five years	125,020
Owia Technology	IT Managed Services, Equipment upgrade, Laptops	500,000	five years	117,725
Capital Strategies & Solutions	Internet Content Enrollment Marketing	600,000	five years	115,900
Hatch	Mobile Classrooms, Literacy Kits, Learning Software	74,000	one year	81,933
D.C. Public Charter School Board	Authorizer Fees	N/A	N/A	81,373
XNS Brand Consulting Agency	Graphic Design, Website Maintenance, Social Media, Photography, Videography	400,000	five years	74,734
ReadyNurse Staffing Services	Nurse	400,000	five years	80,295
Mac Construction	Building Maintenance	300,000	five years	58,000
The Honey Bee Company	STEM Explorer Curriculum	300,000	five years	53,000
Direct Energy Business	Energy Bills	N/A	N/A	51,385
PEPCO	Electricity Bills	N/A	N/A	45,577
Staples Business Advantage	Office Supplies	N/A	N/A	45,074
Boland Services	Air Conditioning Repair	N/A	N/A	44,415
Hartford	Worker Compensation, Umbrella, and Accident Insurance	45,000	one year	40,053
Risse Brothers	Student Uniforms	40,000	one year	38,467
The May Firm PLLC	Legal Services	175,000	five years	36,000
Great American Insurance Company	Business Insurance	50,000	one year	34,658
ADP, Inc.	Payroll Fees, Time and Attendance, and Background Checks	150,000	five years	34,113
United Health Care	Health Insurance	3,000,000	ten years	32,625
D.C. Water and Sewer Authority	Water	N/A	N/A	31,499
Nauticon Imaging Systems	Copier Services	150,000	five years	27,146
Xiatel Communication	Telephone Programming and Services	65,000	five years	25,207
				\$2,193,382





1090 Vermont Ave., NW  
Suite 920  
Washington, DC 20005

P.O. Box 2478  
Kingshill, VI 00851

111 South Calvert St.  
Suite 2700  
Baltimore, MD 21202

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

Board of Trustees  
Cedar Tree Academy Public Charter School  
Washington, D.C.

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 Cedar Tree Academy Public Charter School (the School), as of June 30, 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2019.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Bert Smith & Co.*

October 25, 2019  
Washington, D.C.