

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
***(Together With Independent Auditor's Report)***

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## INDEPENDENT AUDITOR'S REPORT

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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, 2020, 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, 2020, 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 contract awards over \$25,000 on page 13 and the schedule of expenditures of federal awards on page 18, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, October 25, 2019. In our opinion, the comparative information presented therein, as of and for the year ended June 30, 2019 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 20, 2020, 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 20, 2020  
Washington, D.C.

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**  
*(With Comparative Totals for 2019)*

	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$11,869,214	\$11,198,196
Due from District Government	282,146	91,928
Other Receivables	11,573	11,573
Investments	298,416	300,595
Other Assets	29,272	24,951
<b>Total Current Assets</b>	<u>12,490,621</u>	<u>11,627,243</u>
<b>Noncurrent Assets</b>		
Restricted Cash	483,000	483,000
Property and Equipment, net	8,203,277	8,521,396
<b>Total Noncurrent Assets</b>	<u>8,686,277</u>	<u>9,004,396</u>
<b>Total Assets</b>	<u><u>\$21,176,898</u></u>	<u><u>\$20,631,639</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	136,202	94,610
Accrued Expenses	37,859	31,316
Accrued Payroll and Taxes	431,847	265,133
Interest Rate Swap	302,188	60,219
Deferred Revenue	11,943	720
Notes Payable - Current Portion, net	339,361	329,567
<b>Total Current Liabilities</b>	<u>1,259,400</u>	<u>781,565</u>
<b>Noncurrent Liabilities</b>		
Notes Payable	3,914,625	4,237,159
<b>Total Noncurrent Liabilities</b>	<u>3,914,625</u>	<u>4,237,159</u>
<b>Total Liabilities</b>	<u>5,174,025</u>	<u>5,018,724</u>
<b>Net Assets-Without Donor Restrictions</b>	16,002,873	15,612,915
<b>Total Liabilities and Net Assets</b>	<u><u>\$21,176,898</u></u>	<u><u>\$20,631,639</u></u>

*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, 2020**  
*(With Comparative Totals for 2019)*

	<u>2020</u>	<u>2019</u>
<b>Revenue and Support</b>		
Per Pupil Allotment	\$ 7,574,757	\$ 7,181,117
Federal Revenue	828,863	689,696
Grant Revenue	18,038	13,453
Before and After Care	125,427	158,009
Interest Income	21,334	38,535
Rental Income	276,000	264,000
Other Income	308	2,528
<b>Total Revenue and Support</b>	<u>8,844,727</u>	<u>8,347,338</u>
<b>Expenses</b>		
Program Services	6,090,635	5,505,041
Management and General	2,119,956	1,842,916
Fundraising	2,209	2,768
<b>Total Expenses</b>	<u>8,212,800</u>	<u>7,350,725</u>
<b>Change in Net Assets Before Change in Fair Value of Interest Rate Swap</b>	631,927	996,613
<b>Change in Fair Value of Interest Rate Swap</b>	(241,969)	(253,472)
<b>Change in Net Assets</b>	<u>389,958</u>	<u>743,141</u>
<b>Net Assets, Beginning of Year</b>	<u>15,612,915</u>	<u>14,869,774</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 16,002,873</u></u>	<u><u>\$ 15,612,915</u></u>

*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, 2020**  
*(With Comparative Totals for 2019)*

	<b>Program Services</b>	<b>General and Administration</b>	<b>Fundraising</b>	<b>2020</b>	<b>2019</b>
<b>Personnel Costs</b>					
Salaries and wages	\$3,443,015	\$ 1,123,525	\$ -	\$4,566,540	3,880,093
Employee benefits	244,644	79,832	-	324,476	293,294
Payroll taxes	335,049	109,333	-	444,382	322,791
Professional development	165,174	53,899	-	219,073	164,650
Travel and meetings	32,593	10,636	-	43,229	55,888
<b>Total Personnel Costs</b>	<b>4,220,475</b>	<b>1,377,225</b>		<b>5,597,700</b>	<b>4,716,716</b>
<b>Direct Costs</b>					
Supplies and materials	330,266	-	-	330,266	185,303
Transportation	2,625	-	-	2,625	2,625
Contracted instruction fees	131,580	-	-	131,580	183,122
Food Service/Catering	208,566	-	-	208,566	272,238
Student Assessment	24,255	-	-	24,255	14,058
Other Student Costs	290,939	-	-	290,939	357,864
<b>Total Direct Costs</b>	<b>988,231</b>	<b>-</b>	<b>-</b>	<b>988,231</b>	<b>1,015,210</b>
<b>Occupancy Expenses</b>					
Maintenance and repairs	149,488	48,781	-	198,269	207,561
Utilities	121,030	39,494	-	160,524	148,042
Janitorial Supplies	652	213	-	865	4,050
Contracted building services	133,440	43,544	-	176,984	186,255
<b>Total Occupancy Expenses</b>	<b>404,610</b>	<b>132,032</b>	<b>-</b>	<b>536,642</b>	<b>545,908</b>
<b>Office Expenses</b>					
Supplies and Materials	32,501	10,606	-	43,107	69,258
Equipment rental	20,289	6,621	-	26,910	27,146
Telecommunications	22,029	7,189	-	29,218	29,030
Professional fees	55,440	172,656	-	228,096	245,269
Printing and publications	9,321	3,042	-	12,363	9,826
Postage and shipping	2,337	762	-	3,099	2,985
Computer and related expenses	69,964	22,830	-	92,794	71,012
<b>Total Office Expenses</b>	<b>211,881</b>	<b>223,706</b>	<b>-</b>	<b>435,587</b>	<b>454,526</b>
<b>General Expenses</b>					
Insurance	-	26,725	-	26,725	46,762
Interest Expense	-	135,836	-	135,836	202,250
Administration Fee	56,026	18,283	-	74,309	80,549
Depreciation	209,412	68,336	-	277,748	268,473
Fees and licenses	-	1,440	-	1,440	12,943
Other general expenses	-	136,373	2,209	138,582	7,388
<b>Total General Expenses</b>	<b>265,438</b>	<b>386,993</b>	<b>2,209</b>	<b>654,640</b>	<b>618,365</b>
<b>Total Expenses</b>	<b>\$6,090,635</b>	<b>\$ 2,119,956</b>	<b>\$ 2,209</b>	<b>\$8,212,800</b>	<b>\$7,350,725</b>

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



**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
*(With Comparative Totals for 2019)*

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
<b>Change in Net Assets</b>	\$ 389,958	\$ 743,141
<i>Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	277,748	268,473
Unrealized Loss on Interest Rate Swap	241,969	253,472
Loss on property and equipment disposal	132,193	9,000
Amortization of Bond Issuance Costs	14,724	14,724
<i>(Increase) Decrease in Assets</i>		
Due from D.C Government	(190,218)	5,937
Other Receivables	-	(11,573)
Other Assets	(4,321)	36,054
<i>(Decrease) Increase in Liabilities</i>		
Accounts Payable	41,591	9,986
Accrued Expenses	6,543	-
Accrued Payroll and Taxes	166,714	(16,305)
Deferred Revenue	11,223	720
<b>Net Cash Provided by Operating Activities</b>	<u>1,088,124</u>	<u>1,313,629</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(4,937)	(4,428)
Proceeds from the Sale of Investments	7,116	-
Purchase of Property and Equipment	(91,821)	(162,957)
<b>Net Cash Used in Investing Activities</b>	<u>(89,642)</u>	<u>(167,385)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on Martin Luther King Campus Loan	(127,133)	(125,425)
Payments on Notes Loan Payable	(200,331)	(673,095)
<b>Net Cash Used in Financing Activities</b>	<u>(327,464)</u>	<u>(798,520)</u>
<b>Net Increase in Cash and Cash Equivalents and Restricted Cash</b>	671,018	347,724
<b>Cash and Cash Equivalents and Restricted Cash-Beginning of Year</b>	<u>11,681,196</u>	<u>11,333,472</u>
<b>Cash and Cash Equivalents and Restricted Cash-End of Year</b>	<u><u>\$ 12,352,214</u></u>	<u><u>\$ 11,681,196</u></u>
<b>Supplemental Disclosure</b>		
Interest Expense Paid	<u>\$ 129,270</u>	<u>\$ 187,526</u>

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

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

***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 employees spent between program and general and administration functions.

## **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. As of June 30, 2020, the uninsured cash balances totaled \$11,239,564.

**NOTE 3 AVAILABILITY AND LIQUIDITY**

The following table represents the School's financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and Cash Equivalents	\$12,352,214
Due from District Government	253,879
Other Receivables	39,840
Investments	298,416
Total Financial Assets	<u>12,944,349</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>\$12,461,349</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. As of June 30, 2020, the amounts due from the District were \$253,879.

**NOTE 5 INVESTMENTS**

As of June 30, 2020, the School's investments, which are reported at fair value consists of certificate of deposits totaling \$298,416.

**NOTE 6 FAIR VALUE MEASUREMENTS**

The School's assets and liabilities are reported at fair value. Generally accepted accounting principles (GAAP) 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, 2020 is as follows:

	<u>Level 1</u>	<u>Level 2</u>
<b><i>Assets:</i></b>		
Cash Equivalents	\$ 2,902,574	\$ -
Investments - Certificates of Deposit	-	298,416
<b><i>Liabilities:</i></b>		
Interest Rate Swap	\$ -	\$ 302,188

*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 as of June 30, 2020:

Land	\$ 989,979
Buildings	9,369,586
Building Improvements	421,262
Furniture and Equipment	444,481
Total Fixed Assets	<u>11,225,308</u>
Less: Accumulated Depreciation	<u>(3,022,031)</u>
Net Fixed Assets	<u>\$ 8,203,277</u>

Depreciation expense during the fiscal year ended June 30, 2020 was \$277,748.

## 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 total net interest of \$129,270. As of June 30, 2020, the interest rate swaps are shown as a liability in the statement of financial position valued at \$302,188.

## NOTE 9 NOTES PAYABLE

### ***Bond Financing***

In August 2004, the School purchased the main campus for \$7,000,000. In November 2004, the District issued \$6,295,000 Series 2004 bonds. The bond proceeds were used to pay-off the School's s previous short-term 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 2020. As of June 30, 2020, the unamortized debt issuance costs totaled \$164,496.

During the fiscal year 2020, the School paid interest to the Bond Trustee totaling \$68,266. As of June 30, 2020, the total amount payable under the loan was \$2,557,454.

The loan is secured by 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 as of June 30, 2020.

The minimum principal payments as of June 30, 2020 are as follows:

2021	205,848
2022	211,518
2023	217,343
2024	223,329
Thereafter	1,699,416
Total	<u>\$ 2,557,454</u>

	Note Payable	Unamortized Debt Issuance Costs	Net Note Payable
Current Portion	\$ 205,848	\$ (14,724)	\$ 191,124
Long-term Portion	2,351,606	(149,772)	2,201,834
	<u>\$ 2,557,454</u>	<u>\$ (164,496)</u>	<u>\$ 2,392,958</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 2020 was \$61,004. As of June 30, 2020, the total amount payable under the loan was \$1,861,028.

The minimum principal payments as of June 30, 2020 are as follows:

2021	133,513
2022	137,931
2023	142,495
2024	147,210
Thereafter	1,299,879
Total	<u>\$1,861,028</u>

***Economic Injury Disaster Loan***

The School received a loan under the Coronavirus Aid Relief and Economic Security Act (CARES Act) for \$719,800. The School returned the loan to the federal government.

**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 2020. The per pupil allotment consist of the following at year-end:

Education	\$ 5,306,044
Facilities	1,207,270
At-Risk	639,865
Special Education	421,578
Total	<u>\$ 7,574,757</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 2020, rental income totaled \$276,000.

**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 2020, the School retirement contribution totaled \$74,216.

**NOTE 13 SUBSEQUENT EVENTS**

The School has evaluated any subsequent events through October 20, 2020, 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. The United States has been impacted by the Novel Coronavirus (COVID-19), an aggressive and potent pandemic. This pandemic is considered a non-recognized subsequent event, that is, an event that did not exist at the date of the statement of financial position. The financial impact of the event is unknown, and no adjustment has been recorded in the financial statements.

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**SUPPLEMENTAL SCHEDULE OF VENDOR AWARDED CONTRACTS OVER \$25,000**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Vendor Name</b>	<b>Type of Service</b>	<b>Contract Award</b>	<b>Contract Period</b>	<b>Total Expenses</b>
ADP, Inc.	Payroll Time and Attendance	150,000	five years	\$ 31,029
Capital Strategies & Solutions	Internet Content Enrollment Marketing	600,000	five years	93,000
Capitol Services Management, Inc.	Building Maintenance Services	1,200,000	five years	166,004
CareerStaff Unlimited	School Nurse Services	400,000	five years	87,262
Carefirst Bluecross Blue Shield	Health Insurance	N/A	N/A	283,482
D.C Central Kitchen	Student Meals	1,250,000	five years	172,309
D.C. Public Charter School Board	Authorizer Fees	N/A	N/A	74,309
D.C. Water and Sewer Authority	Water	N/A	N/A	33,903
Direct Energy Business	Energy Bills	N/A	N/A	56,976
D.C Office of Employment Services	Unemployment Taxes	N/A	N/A	48,320
EdOps	Finance, Accounting, and Student Data Services	800,000	five years	138,600
Hanover Insurance Group	Insurance	300,000	five years	53,845
Infinite Potential	Comprehensive Psychological Evaluation	800,000	five years	128,700
KJ Consulting Kamila Johnson	Professional Development	650,000	five years	102,300
Mac Construction	Building Maintenance	300,000	five years	78,500
May Lightfoot, PLLC	Legal Services	200,000	five years	52,000
Nauticon Office Solutions	Copier Services	150,000	five years	27,372
Owia Technology	IT Managed Services, Equipment upgrade, Laptops	500,000	five years	157,379
PEPCO	Electricity	N/A	N/A	47,417
Savvas Learning Company LLC	Curriculum	N/A	N/A	44,253
Teachstone Training LLC	Curriculum	N/A	N/A	28,660
The Honey Bee Company	STEM Explorer Curriculum	300,000	five years	150,000
UNUM Life Insurance Company of America	Life Insurance	250,000	five years	32,383
XNS Brand Consulting Agency	Graphic Design, Website Maintenance, Social Media	400,000	five years	78,880





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

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, 2020 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2020.

**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) 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 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.

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## **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 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.

*Bert Smith & Co*

October 20, 2020  
Washington, D.C.

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

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

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

We have audited the Cedar Tree Academy Public Charter School's (School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2020. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



## Report on Internal Control Over Compliance

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

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

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

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

*Bert Smith & Co*

Washington, D.C.  
October 20, 2020

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>		
<i>Pass-through programs from the Office of the State Superintendent of Education of the District of Columbia:</i>		
Title I: Basic Grants to Local Educational Agencies	84.010A	\$ 88,190
Title II: Teacher and Principal Training and Recruiting Fund	84.367A	17,567
Title IV: Student Support and Academic Enrichment Grants	84.424A	10,000
Title VB: Replication and Expansion	84.282A	99,630
Special Education - 611 Grant to Local Education Agencies	84.027A	23,506
Special Education - 619 Preschool Grant to LEAs	84.173A	1,336
Scholarships for Opportunity and Results (SOAR) Act	84.370C	287,416
Coronavirus Aid, Relief, and Economic Security (CARES) Act	84.425D	67,389
<b>Total U.S. Department of Education</b>		<b>595,034</b>
<b>U.S. Department of Agriculture</b>		
<i>Pass-through programs from the Office of the State Superintendent of Education of the District of Columbia:</i>		
National School Lunch Program	10.555	125,192
National School Breakfast Program	10.553	54,371
Donated Commodities	10.565	13,454
Fresh Fruit and Vegetable Program	10.582	20,285
<b>Total U.S. Department of Agriculture</b>		<b>213,302</b>
<b>Federal Communications Commission</b>		
Universal Service Erate	32.004	11,852
<b>Total Federal Communications Commission</b>		<b>11,852</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 820,188</b>

*The accompanying notes are an integral part of this Schedule.*

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**NOTE 1        BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Cedar Tree Academy Public Charter School (School) under programs of the federal government for the year June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

**NOTE 2        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3        INDIRECT COST RATE**

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

**NOTE 4        RECONCILIATION TO AUDITED FINANCIAL STATEMENTS**

Federal Revenue per Audited Financial Statements	\$ 828,863
Economic Injury Disaster Advance Loan	(10,000)
Receivable write-off	<u>1,325</u>
Expenditures of Federal Awards	<u><u>\$ 820,188</u></u>

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Section I: Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
• Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No
Identification of Major Federal Programs:	
84.370C Scholarships for Opportunity and Results (SOAR) Act	
84.425D Coronavirus Aid, Relief, and Economic Security (CARES) Act	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low risk auditee:	No

**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Section II: Financial Statement Findings**

No matters were reported.



**CEDAR TREE ACADEMY PUBLIC CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Section III: Federal Award Findings**

No matters were reported.