



Center City
Public Charter Schools

Character, Excellence, Service

**SINGLE AUDIT FINANCIAL REPORT
UNDER UNIFORM GUIDANCE**

JUNE 30, 2019 AND 2018

CENTER CITY PUBLIC CHARTER SCHOOLS

TABLE OF CONTENTS
JUNE 30, 2019 AND 2018

	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Financial Statements.....	10-15
Supplementary and Additional Information	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	19-20
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs.....	23
Supplemental Schedule of Vendors Awarded Contracts Equal to or Greater Than \$25,000 ...	24-25



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Independent Auditors' Report

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Center City Public Charter Schools (CCPCS) a nonprofit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 CCPCS as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Center City Public Charter Schools

Emphasis of Matter

As discussed in Note 2 of the financial statements, CCPCS adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of vendors awarded contracts equal to or greater than \$25,000 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of CCPCS'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 CCPCS'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 CCPCS's internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 22, 2019

Certified Public Accountants

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 10,762,894	\$ 7,407,713
Investments	2,245,561	2,243,167
Receivables	617,394	834,437
Prepaid Expenses and Other Assets	563,506	513,609
Total Current Assets	14,189,355	10,998,926
Fixed Assets		
Furniture and Equipment	2,465,834	2,370,784
Construction in Progress	318,280	475,680
Leasehold Improvements	5,580,466	5,083,784
	8,364,580	7,930,248
Less Accumulated Depreciation and Amortization	(6,372,048)	(5,785,113)
Total Fixed Assets	1,992,532	2,145,135
Investments, Long-Term	-	747,370
Deferred Compensation	22,112	9,419
Total Assets	\$ 16,203,999	\$ 13,900,850
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 451,932	\$ 767,648
Accrued Payroll and Benefits	1,504,739	1,471,928
Deferred Revenue	-	1,913
Deferred Rent	-	16,217
Total Current Liabilities	1,956,671	2,257,706
Deferred Compensation Payable	22,112	9,419
Deferred Rent, Net of Current Portion	143,091	-
Total Liabilities	2,121,874	2,267,125
Net Assets		
Without Donor Restrictions - Undesignated	11,082,125	8,632,977
Without Donor Restrictions - Board Designated	3,000,000	3,000,000
Total Net Assets Without Donor Restrictions	14,082,125	11,632,977
With Donor Restrictions	-	748
Total Net Assets	14,082,125	11,633,725
Total Liabilities and Net Assets	\$ 16,203,999	\$ 13,900,850

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Per Pupil Allocation	\$ 22,817,210	\$ -	\$ 22,817,210	\$ 22,166,623	\$ -	\$ 22,166,623
Facilities Fees	4,754,191	-	4,754,191	4,690,118	-	4,690,118
Federal Grants and Entitlements	2,651,604	-	2,651,604	2,895,677	-	2,895,677
Extended Care and Student Fees	415,674	-	415,674	390,049	-	390,049
Contributions	35,734	-	35,734	23,862	11,548	35,410
Other Grants and Awards	70,136	-	70,136	133,843	-	133,843
Interest Income	263,004	-	263,004	119,236	-	119,236
Other Income	13,430	-	13,430	17,005	-	17,005
Net Assets Released from Restrictions	748	(748)	-	25,676	(25,676)	-
Total Revenue	31,021,731	(748)	31,020,983	30,462,089	(14,128)	30,447,961
Expenses						
Program Services	26,107,469	-	26,107,469	26,075,390	-	26,075,390
Management and General	2,462,218	-	2,462,218	2,553,564	-	2,553,564
Fundraising	2,896	-	2,896	5,923	-	5,923
Total Expenses	28,572,583	-	28,572,583	28,634,877	-	28,634,877
Change in Net Assets	2,449,148	(748)	2,448,400	1,827,212	(14,128)	1,813,084
Net Assets, Beginning of Year	11,632,977	748	11,633,725	9,805,765	14,876	9,820,641
Net Assets, End of Year	\$ 14,082,125	\$ -	\$ 14,082,125	\$ 11,632,977	\$ 748	\$ 11,633,725

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program	Management and General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$ 15,260,036	\$ 974,506	\$ 2,896	\$ 16,237,438
Employee Benefits	1,846,517	149,101	-	1,995,618
Payroll Taxes	1,218,024	94,292	-	1,312,316
Contracted Staff	52,303	-	-	52,303
Professional Development	268,325	8,562	-	276,887
Other Staff Costs	57,900	39,331	-	97,231
Total Personnel, Salaries, and Benefits	18,703,105	1,265,792	2,896	19,971,793
Direct Student Costs				
Contracted Instruction Fees	226,316	-	-	226,316
Supplies and Materials	140,109	-	-	140,109
Other Student Costs	456,777	-	-	456,777
Student Assessments	122,601	-	-	122,601
Textbooks	277,556	-	-	277,556
Food Service/Catering	1,018,572	-	-	1,018,572
Total Direct Student Costs	2,241,931	-	-	2,241,931
Occupancy Expense				
Rent	2,536,639	270,475	-	2,807,114
Maintenance and Repairs	519,831	341	-	520,172
Utilities	359,488	-	-	359,488
Furniture, Fixtures and Equipment	133,012	5,424	-	138,436
Contracted Building Services	751,563	-	-	751,563
Total Occupancy Expense	4,300,533	276,240	-	4,576,773
Office Expense				
Professional Fees	13,038	214,904	-	227,942
Computer and Related	129,722	56,013	-	185,735
Equipment Rental	92,837	4,876	-	97,713
Office Supplies and Materials	32,252	4,557	-	36,809
Memberships and Subscriptions	14,348	31,371	-	45,719
Other Office Expense	8,351	34,245	-	42,596
Telecommunications	71,773	23,185	-	94,958
Postage and Shipping	1,914	1,969	-	3,883
Printing and Publications	105	4,589	-	4,694
Total Office Expense	364,340	375,709	-	740,049
General Expense				
Depreciation	432,673	154,264	-	586,937
DCPCSB Administration Fee	-	277,851	-	277,851
Recruiting and Advertising	46,648	26,447	-	73,095
Insurance	18,239	70,938	-	89,177
Fees and Licenses	-	14,977	-	14,977
Total General Expense	497,560	544,477	-	1,042,037
Total	\$ 26,107,469	\$ 2,462,218	\$ 2,896	\$ 28,572,583

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program	Management and General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$ 14,938,441	\$ 1,073,738	\$ 5,923	\$ 16,018,102
Employee Benefits	1,842,674	127,794	-	1,970,468
Payroll Taxes	1,203,097	120,895	-	1,323,992
Contracted Staff	130,499	2,500	-	132,999
Professional Development	439,529	25,263	-	464,792
Other Staff Costs	46,296	54,310	-	100,606
Total Personnel, Salaries, and Benefits	18,600,536	1,404,500	5,923	20,010,959
Direct Student Costs				
Contracted Instruction Fees	202,371	-	-	202,371
Supplies and Materials	166,040	-	-	166,040
Other Student Costs	498,955	-	-	498,955
Student Assessments	154,873	-	-	154,873
Textbooks	153,991	-	-	153,991
Food Service/Catering	1,134,196	-	-	1,134,196
Total Direct Student Costs	2,310,426	-	-	2,310,426
Occupancy Expense				
Rent	2,209,723	244,516	-	2,454,239
Maintenance and Repairs	440,158	386	-	440,544
Utilities	339,812	-	-	339,812
Furniture, Fixtures and Equipment	215,473	879	-	216,352
Contracted Building Services	699,257	-	-	699,257
Total Occupancy Expense	3,904,423	245,781	-	4,150,204
Office Expense				
Professional Fees	47,512	249,187	-	296,699
Computer and Related	163,797	70,804	-	234,601
Equipment Rental	84,645	6,723	-	91,368
Office Supplies and Materials	45,953	6,774	-	52,727
Memberships and Subscriptions	13,541	19,621	-	33,162
Other Office Expense	12,177	18,618	-	30,795
Telecommunications	71,407	24,244	-	95,651
Postage and Shipping	2,828	5,233	-	8,061
Printing and Publications	2,797	6,560	-	9,357
Total Office Expense	444,657	407,764	-	852,421
General Expense				
Depreciation	750,828	108,312	-	859,140
DCPCSB Administration Fee	-	270,219	-	270,219
Recruiting and Advertising	33,884	52,335	-	86,219
Insurance	20,163	64,261	-	84,424
Fees and Licenses	10,473	392	-	10,865
Total General Expense	815,348	495,519	-	1,310,867
Total	\$ 26,075,390	\$ 2,553,564	\$ 5,923	\$ 28,634,877

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,448,400	\$ 1,813,084
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	586,937	859,140
<u>(Increase) Decrease in Assets</u>		
Receivables	217,043	(207,045)
Prepaid Expenses and Other Assets	(49,897)	73,423
Deferred Compensation	(12,693)	(9,419)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(315,716)	192,016
Accrued Payroll and Benefits	32,811	74,622
Deferred Revenue	(1,913)	(25,791)
Deferred Rent	126,874	(150,690)
Deferred Compensation Payable	12,693	9,419
Net Cash Provided by Operating Activities	<u>3,044,539</u>	<u>2,628,759</u>
Cash Flows from Investing Activities		
Purchases of Investments	(1,496,024)	(4,225,944)
Redemptions of Investments	2,241,000	6,234,148
Purchases of Fixed Assets	(434,334)	(1,104,294)
Net Cash Provided by Investing Activities	<u>310,642</u>	<u>903,910</u>
Net Increase in Cash and Cash Equivalents	3,355,181	3,532,669
Cash and Cash Equivalents, Beginning of Year	<u>7,407,713</u>	<u>3,875,044</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 10,762,894</u></u>	<u><u>\$ 7,407,713</u></u>

See accompanying Notes to Financial Statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On October 11, 2007, Center City Public Charter Schools (CCPCS), was organized as a nonprofit corporation under the District of Columbia Nonprofit Corporation Act. The principal activity of CCPCS is to operate a community-based public charter school with multiple campuses. The schools are child- and family-centered and offer a comprehensive liberal arts education. CCPCS's mission is to enable a diverse group of students to meet high expectations, develop creativity, critical thinking and problem-solving skills, achieve a deep understanding of complex subjects and acquire a love of learning along with a strong sense of community and character.

CCPCS served 1,457 and 1,469 students during the years ended June 30, 2019 and 2018, respectively.

Income Taxes

CCPCS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and did not conduct unrelated business activities. In addition, CCPCS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

CCPCS 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. CCPCS does not believe its financial statements include, or reflect, any uncertain tax positions.

CCPCS's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Basis of Accounting

CCPCS's financial statements are presented on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when incurred.

Revenue Recognition

A substantial portion of CCPCS's revenue is derived from the District of Columbia Public School system based on enrollment. The revenue is recognized ratably over the school year. Revenue from other government sources generally represents various entitlements and is recognized as earned.

Cash and Cash Equivalents

CCPCS considers all demand deposits, money market funds, and short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of bank certificates of deposit that are recorded at cost plus accrued interest.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Compensation

Investments for deferred compensation are recorded at fair market value based on quoted prices on national exchanges.

Receivables

Receivables consist primarily of amounts due from federal grants, receivables from the Office of the State Superintendent of Education of the District of Columbia and other grants. The management of CCPCS reviews the collectability of the receivables on a regular basis. Management believes all amounts are fully collectable and, therefore, no allowance for doubtful accounts is necessary.

Fixed Assets

CCPCS capitalizes all fixed asset acquisitions of \$1,000 and above. Fixed assets are carried at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or for leasehold improvements the shorter of the useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

Net Assets With Donor Restrictions

CCPCS reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, and depreciation, among others. These expenses are allocated on the basis of estimates of time and effort by employees or on the basis of headcount. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain 2018 amounts have been reclassified for comparative purposes.

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended June 30, 2019, CCPCS adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

CCPCS's cash flows have seasonal variations due to the timing of contributions, program revenues, and vendor payments. CCPCS manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

As of June 30, 2019, the following financial assets and liquidity sources were available for general operating expenditures within one year:

Financial Assets

Cash and Cash Equivalents	\$ 10,762,894
Investments	2,245,561
Accounts Receivable	<u>617,394</u>
Total Financial Assets and Liquidity Available within One Year	<u>\$ 13,625,849</u>

Included in the amounts above, CCPCS has a board designated operating reserve fund in the amount of approximately \$3,000,000, which can be used for general operating purposes with board approval.

4. CONTINGENCIES

CCPCS receives support and revenues from federal government grants and contracts. The ultimate determination of amounts received under these programs is generally based upon allowable costs, which are subject to audit. CCPCS is of the opinion that adjustments, if any, arising from such audits, will not have a material effect on the financial statements.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. PER PUPIL ALLOTMENT

CCPCS receives an annual per pupil allotment from the District of Columbia based on its student enrollment which is a substantial portion of its revenue. If a significant reduction in this revenue should occur, it may have a material effect on CCPCS programs. During the years ended June 30, 2019 and 2018, CCPCS earned revenue of approximately \$22,817,000 and \$22,167,000, respectively, from the District of Columbia, which is approximately 74% and 73% of total revenue, respectively. These amounts are reflected as per pupil allocation in the accompanying statements of activities.

In September 2017, the offices of the Deputy Mayor of Education (DME) and the State Superintendent of Education (OSSE), notified all charter school leaders of a tentative approved contract with the Washington Teacher's Union (WTU). Upon approval of the contract by the City Council and Mayor of the District of Columbia (DC), DC provided additional funding to all DC Public and Charter Schools through an increase in the per pupil allocation [Uniform per Student Funding Formula (UPSFF)] which was applied retroactively for the year ended June 30, 2017. All public charter schools received a one-time payment to reflect the increase in the year ended June 30, 2017 UPSFF base rate, which was calculated based on the final enrollment audit count, supplemental payments, and extended school year (ESY) funding. Based on CCPCS's final enrollment count and the \$203 rate increase for the year ended June 30, 2017 UPSFF base rate, CCPCS received approximately \$415,000 in retroactive per pupil allocation revenue which was recognized and reported in CCPCS's financial statements for the year ended June 30, 2018.

6. LEASING ARRANGEMENTS

CCPCS has lease agreements for its school campus properties. The agreements provide for a rent escalation rate of 3% each year. The leases were renewed and extended to July 2023. The campus leases can be renewed for an additional five-year term at the current annual rate plus 3%.

CCPCS has a lease agreement for its central office in Washington, D.C. The lease expires on September 30, 2021. The agreement provides for a rent escalation each year.

Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the leases. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent liability in the accompanying statements of financial position.

CCPCS has entered into leases of certain office equipment. CCPCS is obligated under the leases through April 2021. Minimum future lease payments under the leases are as follows:

For the Years Ending June 30,

2020	\$ 2,759,331
2021	2,838,337
2022	2,671,839
2023	2,665,825
Thereafter	223,054
Total Minimum Lease Payments	<u>\$ 11,158,386</u>

CENTER CITY PUBLIC CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

7. CONCENTRATIONS

During the years ended June 30, 2019 and 2018, CCPCS's cash balances at financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

As of June 30, 2019 and 2018, 81% and 82%, respectively, of the total receivables were due from the federal government and District of Columbia Office of the State Superintendent.

8. RETIREMENT PLANS

CCPCS sponsors a 401(k) retirement plan (the 401k Plan) that covers substantially all eligible employees. Employees who are scheduled to work the minimum of 1,000 hours in a 12-month period as defined in the 401k Plan are eligible to participate in the 401k Plan. Eligible employees may elect to defer up to 100% of their annual compensation, not to exceed IRS-imposed limits. Under the 401k Plan, CCPCS matches employees' contributions up to 5% of employees' compensation. Employees are vested in the employer's contribution after one year of employment. CCPCS's contribution under the 401k Plan for the years ended June 30, 2019 and 2018, was approximately \$579,000 and \$502,000, respectively.

During 2018, CCPCS established a supplemental deferred compensation plan (the Plan) for its President and CEO. The Plan requires that CCPCS establish and maintain a book entry account on behalf of the President and CEO for all contributions, deferrals, and investment experience related to the Plan. CCPCS is not liable for any specific investment success, nor is it required to restore any loss of principal that may occur due to market conditions. Under current law, such funds remain the assets of CCPCS and, as such, are subject to the creditors of CCPCS. For the years ended June 30, 2019 and 2018, CCPCS contributed approximately \$10,000 per year to the Plan.

9. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

<u>Purpose</u>	<u>2019</u>	<u>2018</u>
Global Ambassadors	\$ -	\$ 748
Total Net Assets With Donor Restrictions	<u>\$ -</u>	<u>\$ 748</u>

For the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

<u>Purpose</u>	<u>2019</u>	<u>2018</u>
Global Ambassadors	\$ 748	\$ 25,676
Total Releases	<u>\$ 748</u>	<u>\$ 25,676</u>

10. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

CENTER CITY PUBLIC CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

10. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

The following presents the deferred compensation assets and liabilities measured at fair value as of June 30, 2019:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation				
Equity Securities	\$ 22,112	\$ -	\$ -	\$ 22,112
Deferred Compensation Payable	\$ 22,112	\$ -	\$ -	\$ 22,112

The following presents the deferred compensation assets and liabilities measured at fair value as of June 30, 2018:

Description	Level 1	Level 2	Level 3	Total
Deferred Compensation				
Equity Securities	\$ 9,419	\$ -	\$ -	\$ 9,419
Deferred Compensation Payable	\$ 9,419	\$ -	\$ -	\$ 9,419

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 22, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY AND ADDITIONAL INFORMATION



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**Independent Auditors' 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***

To the Board of Directors
Center City Public Charter Schools
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 Center City Public Charter Schools (CCPCS) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCPCS'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 CCPCS's internal control. Accordingly, we do not express an opinion on the effectiveness of CCPCS'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 CCPCS'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*.

To the Board of Directors
Center City Public Charter Schools

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 22, 2019

Certified Public Accountants



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

To the Board of Directors
Center City Public Charter Schools
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Center City Public Charter Schools' (CCPCS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CCPCS's major federal programs for the year ended June 30, 2019. CCPCS's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, CCPCS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of CCPCS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing

Report on Internal Control over Compliance (Continued)

our audit of compliance, we considered CCPCS'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 CCPCS's internal control over compliance.

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

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

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

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
November 22, 2019

Certified Public Accountants

CENTER CITY PUBLIC CHARTER SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
Title I Grants to Local Educational Agencies	84.010A	82010A; Phase 19	\$ 792,039
Supporting Effective Instructions State Grants (formerly Improving Teacher Quality State Grants)	84.367A	82367A; Phase 19	154,820
	84.367B	72367B; Phase 17	<u>16,103</u>
			170,923
English Language Acquisition State Grants	84.365A	82365A; Phase 19	27,326
Student Support and Academic Enrichment Program	84.424A	S424A170009	92,101
Special Education Cluster - Special Education Grants to States	84.027A	82027A; Phase 18 and 72027A; Phase 17	265,691
Special Education Cluster - Special Education Preschool Grants	84.173A	82173A; Phase 18	<u>1,491</u>
			267,182
DC Opportunity Scholarship Program	84.370C	84.370C; Phase 18 and Phase 19	186,377
Charter Schools	84.282A	VB.282A; Phase 18 and Phase 19	<u>48,984</u>
Total Pass-Through Programs from the Office of the State Superintendent			<u>1,584,932</u>
Total U.S. Department of Education			<u>1,584,932</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Pass-Through Programs from the Government of the District of Columbia Department of Health Care Finance</i>			
Medical Assistance Program	93.778	N/A	<u>14,815</u>
Total U.S. Department of Health and Human Services			14,815
<u>Department of Agriculture - Food and Nutrition Service</u>			
<i>Pass-Through Programs from the Office of the State Superintendent of Education of the District of Columbia</i>			
Child Nutrition Cluster - National School Lunch Program (NSLP)	10.555	N/A	549,612
Child Nutrition Cluster - School Breakfast Program (SBP)	10.553	N/A	250,408
Child Nutrition Cluster - National School Snack Program	10.555	N/A	54,348
Fresh Fruit and Vegetable Program (Noncash Commodities)	10.555	N/A	<u>69,644</u>
Total Department of Agriculture			<u>924,012</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,523,759</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CENTER CITY PUBLIC CHARTER SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Center City Public Charter Schools, under programs of the federal government for the year ended June 30, 2019. 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 Center City Public Charter Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Center City Public Charter Schools.

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, *Cost Principles for Non-Profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Center City Public Charter Schools has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. PASS-THROUGH TO SUBRECIPIENTS

There were no funds passed through to subrecipients.

5. RECONCILIATION OF EXPENDITURES

The financial statements of Center City Public Charter Schools, are presented in accordance with U.S. generally accepted accounting principles. Expenditures per the schedule of expenditures of federal awards are reported on the statements of activities in the audited financial statements as follows:

Description	Total
Federal Grants and Entitlements	\$ 2,651,604
Less Recovery of Prior Year Amounts	(78,707)
Less E-Rate (Not Considered Federal Financial Assistance)	(49,138)
Total Schedule of Expenditures of Federal Awards	\$ 2,523,759

CENTER CITY PUBLIC CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:..... Unmodified

Internal control over financial reporting:

Material weakness(es) identified?..... No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?..... None reported

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?..... No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?..... None reported

Type of auditors' report issued on compliance for major programs:

Table with 3 columns: CFDA Number, Name of Federal Program or Cluster, and report status. Row 1: 84.010A, Title I Grants to Local Educational Agencies, Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a). No

Identification of major programs:

Table with 2 columns: CFDA Number, Name of Federal Program or Cluster. Row 1: 84.010A, Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None were reported.

Section III - Federal Award Findings and Questioned Costs

None were reported

CENTER CITY PUBLIC CHARTER SCHOOLS

**SUPPLEMENTAL SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR
GREATER THAN \$25,000
FOR THE YEAR ENDED JUNE 30, 2019**

Vendor's Name	Services Provided	Award Amount	Conflict of Interest
All Seasons Transportation	Transportation	\$ 60,600	N
Amplify Education Inc	Curriculum materials	25,000	N
Amplify Education Inc	Curriculum materials	11,500	N
Apple, Inc	Laptop computers and accessories	121,230	N
Apple, Inc	Laptop computers and accessories	67,820	N
Appleseed Expeditions	International activities for Global Ambassadors	70,920	N
Appletree Institute	Curriculum materials	44,600	N
Appletree Institute	Curriculum materials	38,200	N
BE GLAD, LLC	Guided language acquisition design 2-day workshop	31,000	N
Bee Bilingual	Online foreign language programming	25,841	N
Bradleigh Mechanical	HVAC maintenance	25,000	N
Busy Bee Environmental Services, Inc.	Janitorial and maintenance	772,585	N
Busy Bee Environmental Services, Inc.	Janitorial and maintenance	689,304	N
Capital Construction Group (CCG)	General contracting services	900,000	N
Carefirst BlueChoice	Health insurance benefits	1,700,000	N
CBM	Financial audit	39,000	N
CBM	Financial audit	45,000	N
CBM	Financial audit	27,000	N
CDW Government, Inc	Technology solutions/hardware/software	64,500	N
CDW Government, Inc	Technology solutions/hardware/software	47,630	N
CDW Government, Inc	Technology solutions/hardware/software	38,700	N
CDW Government, Inc	Technology solutions/hardware/software	51,000	N
Colonial Equipment	Bus purchase (x2)	125,000	N
ConQuest Pest Control, Inc.	Pest control	47,500	N
Copier Workshop	Copier maintenance	51,100	N
DC Water and Sewer Authority	Water utilities	79,400	N
DC Water and Sewer Authority	Water utilities	72,000	N
DC-CAN DC Treasury (DC-NET)	Internet access	44,100	N
DC-CAN DC Treasury (DC-NET)	Internet access	54,000	N
Delta Education	FOSS kits	33,836	N
Dynamic Network Solutions (DNS)	Network cabinets/installation for BRI and CAP	29,702	N
Employment Law Resources	Legal services	41,000	N
End-to-End Solutions (ETES)	Counseling services, speech/language therapy,	26,000	N
ETW/ESI	Waste and recycling removal	74,000	N
Granite Telecommunications	Monthly voice phone services	50,000	N
Great Minds	Curriculum materials	96,600	N
Great Minds	Curriculum materials	136,800	N
HEP Construction	General contracting services	900,000	N
Hertz Furniture	Classroom furniture and fixtures	75,000	N
Jive (by LogMeIn)	Hosted VOIP phone service	95,824	N
Lance's Locksmith Company	Locksmith services	94,682	N
Lance's Locksmith Company	Locksmith services	35,000	N
Littler Mendelson	Legal services	31,000	N
Long Fence	Fence fabrication and installation services	45,000	N
Miracle Method Surface Restoration	Tile restoration	75,000	N
Mutual of Omaha	Supplemental insurance benefits	82,000	N
OneAmerica	401K Plan	693,000	N
OneAmerica	401K Plan	300,000	N
OneAmerica	401K Plan	300,000	N
OneAmerica	401K Plan	300,000	N
Paycom Payroll, LLC	Payroll/HRIS system	57,500	N
Peace thru Culture	Global Ambassadors trip	40,000	N
PEPCO	Electric utilities	191,500	N
PEPCO	Electric utilities	176,000	N
Power School Group	Annual license with hosting	26,000	N
Preferred Meal Systems	Student meals	1,000,000	N
Psychological Assessment Solutions, LLC	Psychological evaluations and consulting for SPED	75,000	N
Recycle Track Systems, Inc	Waste and recycling removal	61,848	N
Recycle Track Systems, Inc	Waste and recycling removal	47,070	N

CENTER CITY PUBLIC CHARTER SCHOOLS

SUPPLEMENTAL SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR
GREATER THAN \$25,000
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor's Name</u>	<u>Services Provided</u>	<u>Award Amount</u>	<u>Conflict of Interest</u>
Rust Insurance Agency, LLC/The Hartford	Insurance brokerage	133,421	N
Rust Insurance Agency, LLC/The Hartford	Insurance brokerage	130,000	N
Rust Insurance Agency, LLC/The Hartford	Insurance brokerage	125,000	N
Staples Advantage	Classroom and office supplies	55,000	N
Tamah LLC	Dedicated Aide staffing	172,000	N
The Bulk Book Store	Curriculum materials	45,324	N
Trinity Washington University	Courses for Instructional Assistants	100,000	N
United Healthcare	Medical, dental and vision benefits	1,441,085	N
UNUM	Supplemental insurance benefits	89,807	N
Washington Gas	Gas utilities	129,500	N
Washington Gas	Gas utilities	93,000	N
Wells Fargo Vendor Fin Serv	Copier leases	28,440	N