

**CESAR CHAVEZ PUBLIC CHARTER  
SCHOOLS FOR PUBLIC POLICY**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2020 AND 2019**

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## Independent Auditor's Report

To the Board of Trustees of  
Cesar Chavez Public Charter Schools for Public Policy  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Cesar Chavez Public Charter Schools for Public Policy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cesar Chavez Public Charter Schools for Public Policy as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 31-32 as required by D.C, Public School Charter School Board ("DCPCSB"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of Cesar Chavez Public Charter Schools for Public Policy'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 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 Cesar Chavez Public Charter Schools for Public Policy's internal control over financial reporting and compliance.

**Emphasis of Matter**

As discussed in Note B to the financial statements, in 2020, Cesar Chavez Public Charter Schools for Public Policy adopted new accounting guidance, Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18, *Statement of Cash Flows*. Our opinion is not modified with respect to this matter.

*Jane Morrison & M<sup>a</sup>Quade PA*

Washington, DC  
November 18, 2020

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,958,891	\$ 6,692,961
Accounts receivable	56,510	659,660
Grants receivable	51,704	61,841
Medicaid receivable	205,934	7,672
Prepaid expenses	83,304	140,657
Total Current Assets	7,356,343	7,562,791
<b>PROPERTY AND EQUIPMENT, NET</b>	12,262,253	21,698,701
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	3,606,201	3,658,721
Security deposits	107,375	107,375
Total Non-Current Assets	3,713,576	3,766,096
<b>TOTAL ASSETS</b>	\$ 23,332,172	\$ 33,027,588
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,521,724	\$ 1,550,923
Deferred revenue	56,212	-
Long-term debt, current portion	462,389	715,000
Total Current Liabilities	2,040,325	2,265,923
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent	-	369,586
PPP loan	1,739,000	-
Long-term debt, net of current portion	12,218,443	21,473,866
Total Non-Current Liabilities	13,957,443	21,843,452
<b>TOTAL LIABILITIES</b>	15,997,768	24,109,375
<b>NET ASSETS</b>		
Without donor restrictions		
Available for operations	5,974,404	7,568,213
Board designated	1,350,000	1,350,000
Total Net Assets Without Donor Restrictions	7,324,404	8,918,213
With donor restrictions	10,000	-
Total Net Assets	7,334,404	8,918,213
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 23,332,172	\$ 33,027,588

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

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 8,201,377	\$ -	\$ 8,201,377
Per pupil facility allowance	1,430,715	-	1,430,715
Federal entitlements and grants	1,140,292	-	1,140,292
Medicaid program revenue	92,033	-	92,033
Interest income	154,621	-	154,621
Grants and contributions	10,388	16,478	26,866
Other state and local grants	8,793	-	8,793
Other income	382,785	-	382,785
Student activity fees	4,717	-	4,717
Net assets released from restrictions	6,478	(6,478)	-
Total Revenue and Support	11,432,199	10,000	11,442,199
<b>EXPENSES</b>			
Educational services	9,801,027	-	9,801,027
Management and general	3,381,262	-	3,381,262
Fundraising	28,558	-	28,558
Total Expenses	13,210,847	-	13,210,847
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(1,778,648)	10,000	(1,768,648)
<b>OTHER CHANGES</b>			
Loss on disposal of property and equipment	(35,133)	-	(35,133)
Net appreciation in fair value of investments	2,739	-	2,739
Total Other Changes	(32,394)	-	(32,394)
<b>CHANGE IN NET ASSETS</b>	(1,811,042)	10,000	(1,801,042)
<b>NET ASSETS</b> , beginning of year	8,918,213	-	8,918,213
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - NET ASSETS (NOTE B)</b>			
	217,233	-	217,233
<b>NET ASSETS</b> , end of year	\$ 7,324,404	\$ 10,000	\$ 7,334,404

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

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 16,879,953	\$ -	\$ 16,879,953
Per pupil facility allowance	3,119,428	-	3,119,428
Federal entitlements and grants	2,195,418	-	2,195,418
Medicaid program revenue	168,706	-	168,706
Interest income	215,898	-	215,898
Student activity fees	65,427	-	65,427
Other state and local grants	22,520	-	22,520
Other income	14,018	-	14,018
Contributions	11,206	-	11,206
In-kind contributions	1,050	-	1,050
Net assets released from restrictions	2,500	(2,500)	-
<b>Total Revenue and Support</b>	<b>22,696,124</b>	<b>(2,500)</b>	<b>22,693,624</b>
<b>EXPENSES</b>			
Educational services	17,092,060	-	17,092,060
Management and general	6,859,708	-	6,859,708
Fundraising	13,002	-	13,002
<b>Total Expenses</b>	<b>23,964,770</b>	<b>-</b>	<b>23,964,770</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(1,268,646)</b>	<b>(2,500)</b>	<b>(1,271,146)</b>
<b>OTHER CHANGES</b>			
Loss on disposal of property and equipment	(2,516,816)	-	(2,516,816)
Net appreciation in fair value of investments	32,261	-	32,261
	<b>(2,484,555)</b>	<b>-</b>	<b>(2,484,555)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(3,753,201)</b>	<b>(2,500)</b>	<b>(3,755,701)</b>
<b>NET ASSETS, beginning of year</b>	<b>12,671,414</b>	<b>2,500</b>	<b>12,673,914</b>
<b>NET ASSETS, end of year</b>	<b>\$ 8,918,213</b>	<b>\$ -</b>	<b>\$ 8,918,213</b>

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



**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	Educational Services	Management and General	Fundraising	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>				
Salaries	\$ 4,443,903	\$ 712,057	\$ 19,981	\$ 5,175,941
Employee benefits	798,130	127,886	3,589	929,605
Payroll taxes	375,210	60,121	1,687	437,018
Professional development	9,961	1,589	-	11,550
Total Personnel, Salaries and Benefits	<u>5,627,204</u>	<u>901,653</u>	<u>25,257</u>	<u>6,554,114</u>
<b>DIRECT STUDENT COSTS</b>				
Educational supplies, textbooks, etc.	78,525	-	-	78,525
Student transportation	31,657	-	-	31,657
Contracted instruction fees	227,467	-	-	227,467
Student food service/catering	153,972	-	-	153,972
Student assessments	64,837	-	-	64,837
Other student costs	156,468	-	-	156,468
Total Direct Student Costs	<u>712,926</u>	<u>-</u>	<u>-</u>	<u>712,926</u>
<b>OCCUPANCY EXPENSES</b>				
Rent	101,048	16,190	454	117,692
Maintenance and repairs	60,503	9,694	272	70,469
Utilities	244,078	39,109	1,097	284,284
Contracted building services	328,630	52,657	1,478	382,765
Total Occupancy Expenses	<u>734,259</u>	<u>117,650</u>	<u>3,301</u>	<u>855,210</u>
<b>OFFICE EXPENSES</b>				
Office supplies and materials	26,371	4,206	-	30,577
Equipment rental	30,811	4,915	-	35,726
Telecommunications	68,536	10,933	-	79,469
Professional fees	1,595,261	263,344	-	1,858,605
Computer and related	79,283	13,060	-	92,343
Postage and shipping	3,891	641	-	4,532
Total Office Expenses	<u>1,804,153</u>	<u>297,099</u>	<u>-</u>	<u>2,101,252</u>
<b>GENERAL EXPENSES</b>				
Insurance	-	220,213	-	220,213
Interest	-	1,613,757	-	1,613,757
Administrative fee	85,899	14,150	-	100,049
Dues and subscription	-	46,197	-	46,197
Promotion and advertisement	-	28,338	-	28,338
Travel and entertainment	-	4,514	-	4,514
Depreciation and amortization	813,574	134,019	-	947,593
Meetings, food and beverages	23,012	3,672	-	26,684
Total General Expenses	<u>922,485</u>	<u>2,064,860</u>	<u>-</u>	<u>2,987,345</u>
<b>TOTAL EXPENSES</b>	<u>\$ 9,801,027</u>	<u>\$ 3,381,262</u>	<u>\$ 28,558</u>	<u>\$ 13,210,847</u>

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

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Educational Services	Management and General	Fundraising	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>				
Salaries	\$ 8,711,412	\$ 2,292,203	\$ 7,500	\$ 11,011,115
Employee benefits	938,401	246,918	808	1,186,127
Payroll taxes	732,726	192,800	631	926,157
Professional development	49,052	12,307	-	61,359
Total Personnel, Salaries and Benefits	<u>10,431,591</u>	<u>2,744,228</u>	<u>8,939</u>	<u>13,184,758</u>
<b>DIRECT STUDENT COSTS</b>				
Educational supplies, textbooks, etc.	114,707	-	-	114,707
Student transportation	71,808	-	-	71,808
Student food service/catering	395,969	-	-	395,969
Contracted instruction fees	798,885	-	-	798,885
Student assessments	125,557	-	-	125,557
Other student costs	297,150	-	-	297,150
Total Direct Student Costs	<u>1,804,076</u>	<u>-</u>	<u>-</u>	<u>1,804,076</u>
<b>OCCUPANCY EXPENSES</b>				
Rent	486,378	127,978	419	614,775
Maintenance and repairs	226,417	59,576	195	286,188
Utilities	371,626	97,784	320	469,730
Contracted building services	585,731	154,121	504	740,356
Facility consulting fee	-	14,250	-	14,250
Total Occupancy Expenses	<u>1,670,152</u>	<u>453,709</u>	<u>1,438</u>	<u>2,125,299</u>
<b>OFFICE EXPENSES</b>				
Office supplies and materials	62,866	16,547	-	79,413
Equipment rental	78,052	20,538	-	98,590
Telecommunications	81,996	21,575	-	103,571
Professional fees	1,637,851	1,074,268	-	2,712,119
Postage and shipping	9,343	3,156	126	12,625
Total Office Expenses	<u>1,870,108</u>	<u>1,136,084</u>	<u>126</u>	<u>3,006,318</u>
<b>GENERAL EXPENSES</b>				
Insurance	-	246,479	-	246,479
Interest	-	1,794,414	-	1,794,414
Charter school board administrative fees	162,125	42,660	-	204,785
Dues and subscription	-	57,867	-	57,867
Promotion and advertisement	-	82,145	-	82,145
Travel and entertainment	-	910	-	910
Depreciation and amortization	1,098,950	289,164	-	1,388,114
Meetings, food and beverages	55,058	12,048	2,499	69,605
Total General Expenses	<u>1,316,133</u>	<u>2,525,687</u>	<u>2,499</u>	<u>3,844,319</u>
<b>TOTAL EXPENSES</b>	<u>\$ 17,092,060</u>	<u>\$ 6,859,708</u>	<u>\$ 13,002</u>	<u>\$ 23,964,770</u>

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

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,801,042)	\$ (3,755,701)
adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	947,593	1,388,114
Loss on disposal fixed assets	35,133	2,516,816
Amortization of debt issuance costs	33,817	33,212
Amortization of bond discount	12,517	12,517
(Increase) decrease in assets:		
Accounts receivable	603,150	(2,380)
Grants receivable	10,137	(381,633)
Medicaid receivable	(84,360)	(7,672)
Prepaid expenses	57,353	26,762
Security deposits	-	92,077
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(29,199)	(303,336)
Deferred revenue	56,212	-
Deferred rent	(369,586)	(67,637)
Net Cash Used for Operating Activities	(528,275)	(448,861)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of building asset	8,500,000	-
Purchases of property and equipment	(46,278)	(205,102)
Net Cash Provided by (Used for) Investing Activities	8,453,722	(205,102)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	1,739,000	-
Principal payments on long-term debt	(9,446,087)	(670,000)
Loan costs of bond refinance	(4,950)	-
Net Cash Used for Financing Activities	(7,712,037)	(670,000)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	213,410	(1,323,963)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	10,351,682	11,675,645
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 10,565,092	\$ 10,351,682
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 1,579,940	\$ 1,761,202
Cash and cash equivalents	\$ 6,958,891	\$ 6,692,961
Restricted cash and cash equivalents	3,606,201	3,658,721
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents	\$ 10,565,092	\$ 10,351,682

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

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE A – ORGANIZATION AND PURPOSE**

Cesar Chavez Public Charter Schools for Public Policy (the “School”) was incorporated in February 1998 as a not-for-profit school located in Washington, DC to provide public education, foster educational innovation and reform, inspire young people to become involved in public policy, and develop and improve the quality of schools and curricula. The School was approved by the District of Columbia Public Charter School Board (“DCPCSB”) to operate a charter school in the District of Columbia. The contract was originally dated September 2, 1998 and has since been renewed on August 29, 2013 for an additional 15 years. The contract will remain in effect unless terminated sooner in accordance with the contract. In December 2017, the DCPCSB voted to close down the Parkside middle school campus due to academic performance. The campus was closed over a three-year period, closing one grade a year until final closure in June 2020. However, subsequent to the full closure, the School obtained approval from the DCPCSB to resume operating a middle school at the Parkside campus effective for the 2020-2021 academic year, in which the School will have 6<sup>th</sup> grade students. The School expects to have students in grades 6<sup>th</sup> through 12<sup>th</sup> during the 2022-2023 academic year.

The School’s mission is to prepare students to succeed in competitive colleges and to empower them to use public policy to create a more just, free, and equal world.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

The School has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with its implementation of ASU 2018-08.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Adoption of New Accounting Pronouncement (continued)

In addition, during fiscal year 2020, the School adopted ASU 2016-18, *Statement of Cash Flows*, which requires the presentation of total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the accounting periods reflected in the statement of cash flows. ASU 2016-18 was applied retrospectively.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. The School adopted ASU 2014-09 as of July 1, 2019, using the modified retrospective approach. The School applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires the School to i.) identify contracts with customers, ii.) identify performance obligations related to those contracts, iii.) determine the transaction process, iv.) allocate that transaction price to each performance obligation and v.) recognize revenue when or as the School satisfies a performance obligation. Comparative period information has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative effect of applying the new standard on the Statement of Financial Position as of July 1, 2019, was recognized as an adjustment to the opening balance of net assets without donor restrictions, resulting in an increase to beginning net assets of \$217,233 and a corresponding increase in Medicaid receivable by \$217,233. The change in receivables is considered a non-cash transaction for purposes of the statement of cash flows and is not reflected on that statement.

The following tables summarize the impact of adopting ASU 2014-09 on the School’s statement of financial position as of June 30,2020:

	2020 Balances without ASU 2014-09 Adoption	Effect of Adoption Increase/ (Decrease)	2020 Balances as Reported Under ASC 606
Statement of Financial Position			
Assets			
Medicaid receivable	\$ 3,138	\$ 202,796	\$ 205,934
Net Assets			
Without donor restrictions	\$ 7,121,608	\$ 202,796	\$ 7,324,404

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Adoption of New Accounting Pronouncement (continued)

The following tables summarize the impact of adopting ASU 2014-09 on the School’s statement of activities as of June 30,2020:

	2020 Balances without ASU 2014-09 Adoption	Effect of Adoption Increase/ (Decrease)	2020 Balances as Reported Under ASC 606
Statement of Activities			
Revenue and Support			
Medicaid program revenue	\$ 106,470	\$ (14,437)	\$ 92,033

In accordance with the new guidance, revenues associated with Medicaid are now recognized when the services have been completed. Previously, such revenues were recognized only after the audit of the Medicaid School Health Services Cost Report had been completed, and receipt of the final notice of program reimbursement from the District of Columbia Department of Health Care Finance.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Financial Statements of Not-For-Profit organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents. The School believes it is not exposed to any significant credit risk on cash or cash equivalents.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements are comprised of cash and cash equivalents held by a trustee or the authority to fund a portion of debt service related to the Series 11 Bonds.

Grants and Accounts Receivable

The School's grants receivable consist of unsecured amounts due from public funding sources whose ability to pay is subject to appropriations. Accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection experience, and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. Management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been established.

Property and Equipment

Purchases of property and equipment over \$1,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the underlying assets, which range from 3 to 39 years. Leasehold improvements are amortized over the lesser of their useful life or the lease term. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred.

Debt Issuance Costs

Cost incurred in the issuance of debt have been capitalized and are reported on the statements of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Bond Discount

The original issued discount on bonds is amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method.

Deferred Rent

The School records rent expense including rent abatement on a straight-line basis over the term of the lease. Deferred rent is recorded for the difference in the rent expense recognized on a straight-line basis and the rent payments.

Revenue Recognition

*Grants and Contributions*

The School recognize grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

*Per Pupil Appropriations, Facilities Allowance, and Federal Entitlements, and Other Government Grants*

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education, District of Columbia Public Charter School Board, the U.S. Department of Education, Medicaid, and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return, and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

The School receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations includes \$2,546,897 and \$4,929,777 for the years ended June 30, 2020 and 2019, respectively, for enhancements, such as special education, English language learners, and at-risk students.



**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Revenue Recognition (continued)

*Per Pupil Appropriations, Facilities Allowance, and Federal Entitlements, and Other Government Grants* (continued)

As of June 30, 2020, the School received a conditional promise to give in the amount of \$651,271 that is expected be fulfilled within the year following the School's 2020 fiscal year-end.

*Student Activity Fees*

Student activity fees are funds received from students for school related activities such as fieldtrips, intramural sports, special events, etc. Student activity fees are recognized as revenue at the time the event has occurred.

In-Kind Contributions

Donated facilities, goods and services are recorded at fair value at the date of donation. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates that were assumed in preparing the financial statements.

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time and effort expended.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Reclassifications

For comparative purposes, certain amounts for the year ended June 30, 2019, have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

**NOTE C – INCOME TAXES**

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School's information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School's Form 990 returns for the years ending June 30, 2017 through 2019 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY**

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. The School's sources of liquidity at its disposal include cash and cash equivalents, restricted cash, and grants and accounts receivable. Although the School had net assets with donor restrictions totaling \$10,000 as of June 30, 2020, the School expects to spend these funds within the next twelve months. Additionally, although the School does not intend to spend board designated funds other than amounts appropriated for general expenditure as part of its annual budget, these amounts could be made available, if necessary, through a board resolution.

In addition to financial assets available to meet general expenditures over the next 12 months, the School anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School's financial assets as of June 30:

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued**

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,958,891	\$ 6,692,961
Accounts receivable	56,510	659,660
Grants receivable	51,704	61,841
Medicaid receivable	205,934	7,672
Restricted cash and cash equivalents	3,606,201	3,658,721
Total Financial Assets	10,879,240	11,080,855
Less: restricted cash and cash equivalents	(3,606,201)	(3,658,721)
Less: cash encumbered by board restrictions	(1,350,000)	(1,350,000)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 5,923,039</u>	<u>\$ 6,072,134</u>

**NOTE E – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30:

	<u>2020</u>	<u>2019</u>
Land - Parkside	\$ 2,170,205	\$ 2,170,205
Building and improvements	13,331,261	15,579,005
Leasehold improvements	102,963	11,113,929
Computer and office equipment	1,738,237	1,762,164
Furniture and equipment	561,329	1,064,301
Textbooks	292,150	472,942
Vehicles	3,000	3,000
	18,199,145	32,165,546
Less accumulated depreciation and amortization	(5,936,892)	(10,466,845)
Property and Equipment, Net	<u>\$ 12,262,253</u>	<u>\$ 21,698,701</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, totaled \$947,593 and \$1,388,114, respectively. During the year, the School disposed of property and equipment totaling \$14,012,679. Part of the disposed assets included the sale of a building property for which the School received \$8,500,000. The balance of \$5,512,679 remaining on the disposed assets were written off against accumulated depreciation, resulting in a loss on disposal of property and equipment totaling \$35,133.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE F – NOTES PAYABLE**

*Series 2011 Bonds*

On March 1, 2011, the School entered into a financing agreement with Wells Fargo Bank, National Association (“Wells Fargo”), as trustee of newly issued District of Columbia Revenue Bonds, Cesar Chavez Public Charter Schools for Public Policy Issue, Series 2011 Bonds (“Series 2011 Bonds”). The proceeds from the Series 2011 Bonds of \$27,210,000, were used to refinance the entire outstanding balance of the School’s previous loans and to purchase the facility that the School was previously leasing from its landlord. The proceeds were also used for renovations of the purchased building as well as the buildings at the two leased campus locations. The loan is recorded net of a discount of \$375,513. Amortization expense of the discount for the years ended June 30, 2020 and 2019, totaled \$12,517 and \$12,517, respectively, which has been charged to interest expense in the statements of activities. The discount, net of accumulated amortization, on the Series 2011 Bonds totaled \$258,687 and \$271,204, as of June 30, 2020 and 2019, respectively. The Series 2011 Bonds include four series of bonds, which mature in five-year increments, based on a weighted average fixed interest rate. The Series 2011 Bonds have required semi-annual interest payments, which commenced on July 1, 2011. Principal payments are due annually each November until maturity.

The Series 2011 Bonds shall mature and be payable subject to the prior redemption or the terms and conditions set forth in the indenture agreement. The Series 2011 Bonds mature on November 15, 2040 and are collateralized by the first priority deed of trust lien on the School’s property and equipment, per pupil revenues, and restricted cash and cash equivalents.

On March 27, 2020, the School sold its leasehold interest in property located at 770 Kenyon Street, Washington, DC to Meridian Public Charter School for an amount of \$8,500,000. The proceeds of the sale along with \$260,000 of the School’s own reserved funds were used to pay down the outstanding bond debt. As of June 30, 2020 and 2019, the outstanding principal balance on the Series 2011 Bonds totaled \$13,415,000 and \$22,890,000, respectively.

The above described debt agreements contain certain restrictive, financial, and nonfinancial covenants. In the opinion of management, the School has not complied with the required covenants for the years ended June 30, 2020 and 2019. Interest expense for the years ended June 30, 2020 and 2019, totaled \$1,613,757 and \$1,794,414, respectively, and includes the amortization of debt issuance costs and the amortization on the bond discount.

*PPP Loan*

On May 4, 2020, the School secured \$1,739,000 with PNC (the “Lender”) under the Small Business Administration’s Paycheck Protection Plan (“PPP”) that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan is made. If not used for the purposes above, the loan is due on April 5, 2022, along with

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE F – NOTES PAYABLE - continued**

*PPP Loan (continued)*

interest calculated at a rate of 1% per annum. The PPP loan balance for the years ended June 30, 2020 and 2019, totaled \$1,739,000 and \$0, respectively.

Notes payable as of June 30 consisted of the following:

	2020	2019
Series 2011 Bonds, 7.4%, due through 2040	\$ 13,415,000	\$ 22,890,000
PPP loan, 1.0% due through 2022	1,739,000	-
	15,154,000	22,890,000
Less: discount on bond payable	(258,687)	(271,204)
Less: current installments	(462,389)	(715,000)
Less: debt issuance costs, net	(475,481)	(429,930)
Total Long-Term Debt	\$ 13,957,443	\$ 21,473,866

Aggregate annual maturities of the debt are as follows for the years ending June 30:

	Series 2011 Bonds	PPP Loan	Total
2021	\$ 462,389	\$ -	\$ 462,389
2022	492,611	1,739,000	2,231,611
2023	268,890	-	268,890
2024	290,039	-	290,039
2025	311,187	-	311,187
2026 and thereafter	11,589,884	-	11,589,884
Total	\$ 13,415,000	\$ 1,739,000	\$ 15,154,000

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE F – NOTES PAYABLE - continued**

The following is a summary of debt issuance costs and accumulated amortization are as follows as of June 30:

	2020	2019
Debt issuance costs	\$ 806,313	\$ 726,945
Less accumulated amortization	(330,832)	(297,015)
Debt Issuance Costs, Net	475,481	\$ 429,930

The amortization of debt issuance costs as interest expense for the years ended June 30, 2020 and 2019, totaled \$33,817 and \$33,211, respectively.

**NOTE G – LEASE COMMITMENTS**

Effective September 1, 2008, the School entered into a thirty-year ground lease for a permanent additional operating location with the District of Columbia. The lease expires on September 30, 2038. The School has the right to extend and renew the terms of the lease for up to two terms of 15 consecutive years, each at the fair market rental value.

On March 30, 2020, the School entered into an Assignment and Assumption of Ground Lease Agreement with Meridian Public Charter School (“Meridian”), a District of Columbia non-profit corporation, for the building located at 770 Kenyon Street, Washington, DC. According to the Agreement, the School transferred and assigned to Meridian all rights, title, and interest of the School as Tenant in the ground and building lease. Meridian assumed and agreed to be bound by all of the covenants, agreements, and obligations of the School as Tenant under the Lease Documents. However, the School shall remain liable to the Department of General Services for any and all liabilities and obligations accrued prior to the effective date of March 30, 2020.

Facility rent expense for the years ended June 30, 2020 and 2019, totaled \$117,692 and \$614,775, respectively.

**NOTE H – IN-KIND CONTRIBUTIONS**

The School also received non-federal in-kind contributions for consulting services and the after school all-stars program, totaling \$0 and \$1,050 for the years ended June 30, 2020 and 2019, respectively.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE I – BOARD DESIGNATED NET ASSETS**

The Board of Trustees has designated a portion of the unrestricted funds for improvements to the School and general operations. As of June 30, 2020 and 2019, board designated funds totaled \$1,350,000 for both years.

**NOTE J – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2020 and 2019, net assets with donor restrictions totaled \$10,000 and \$0, respectively, and were restricted for the TGR Learning Lab program. The TGR Learning Lab is sponsored by the TGR Foundation, a Tiger Woods Charity.

**NOTE K – RETIREMENT PLAN**

The School offers a 403(b) qualified retirement plan (the “Plan”) through One America to all full-time employees who meet the eligibility requirements. The Plan allows eligible employees to make deferral contributions beginning in the first year of employment. The School will contribute 5% of a participant’s annual salary beginning in the second year of employment. The School’s matching contribution increases to 7% at the beginning of year four, and to 8% at the beginning of year seven, which is the maximum employer contribution. For the years ended June 30, 2020 and 2019, retirement plan expense totaled \$106,067 and \$134,306, respectively.

**NOTE L – CONCENTRATIONS OF RISK**

The School is dependent on funding from the District of Columbia, as authorized by the District of Columbia Public Charter School Board. During the years ended June 30, 2020 and 2019, approximately 83% and 99% of total support was received from the District of Columbia, respectively.

The School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must compete for students against the DC Public School system and other DC Public Charter Schools. Per pupil appropriations received from the District of Columbia is based upon actual student enrollment determined by an annual enrollment audit. As a result, actual revenue may vary materially from budgeted revenue if under-enrollment were to occur.

The School maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School’s cash routinely exceeds the FDIC limit. Management does not believe the School is exposed to any significant credit risk on its cash and cash equivalents.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE M – SUBSEQUENT EVENTS**

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through November 18, 2020, the date the financial statements were available to be issued. There were no events or transactions discovered during the evaluation that required recognition or further disclosure.



**REPORTS AND SCHEDULES  
REQUIRED BY THE UNIFORM GUIDANCE**



**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***

To the Board of Trustees of  
Cesar Chavez Public Charter Schools for Public Policy  
Washington, DC

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 Cesar Chavez Public Charter Schools for Public Policy (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Marston & McQuade PA*

Washington, DC  
November 18, 2020



**Independent Auditor’s Report on Compliance for Each Major Program  
and on Internal Control over Compliance  
Required by the Uniform Guidance**

To the Board of Trustees of  
Cesar Chavez Public Charter Schools for Public Policy  
Washington, DC

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

We have audited Cesar Chavez Public Charter Schools for Public Policy’s (the “School”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School’s major federal programs 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 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.

*Jane Murrell & M<sup>c</sup>Quade PA*

Washington, DC  
November 18, 2020

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
<b>U.S. Department of Education</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
Title I Grants to Local Educational Agencies	84.010	82010A/92010A	\$ 647,259
Special Education Grants to States	84.027	A2027A	209,784
DC Opportunity Scholarship Program	84.370	84.370C	110,293
Supporting Effective Instruction State Grants	84.367	92367A	8,544
Student Support and Academic Enrichment Program	84.424	92424A	4,606
English Language Acquisition State Grants	84.365	92365A	986
<b>Total U.S. Department of Education</b>			<b>981,472</b>
<b>U.S. Department of Agriculture</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553		12,417
National School Lunch Program	10.555		112,221
Federal Commodities Food Grant (donated)	10.555		13,371
Total Child Nutrition Cluster			<u>138,009</u>
<b>Total U.S. Department of Agriculture</b>			<b>138,009</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,119,481</u></b>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2020. The information in the 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”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in 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 expenses are not allowable or are limited as to reimbursement. The School elected not to use the 10 percent de minimis indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

**NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS**

Expenditures per the Schedule exclude \$20,811 of federal funds provided under the Federal Communications Commission E-Rate, which are reported as a federal entitlement and grants revenue in the statement of activities. Funding under the Federal Communications Commission E-Rate and the Medicaid programs is considered to be federal funds, however, these funds do not qualify as direct financial support, and therefore, are exempt from Federal Audit requirements.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2020**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

- |   |               |
|---|---------------|
| (a) Type of auditor's report issued   | Unmodified    |
| (b) Internal control over financial reporting:<br>Material weakness identified?         | No            |
| Significant deficiencies identified that are not<br>considered to be material weakness? | None reported |
| (c) Noncompliance material to financial statements noted?                               | No            |

***Federal Awards***

- |   |               |
|---|---------------|
| (a) Type of auditor's report issued on compliance for<br>major programs:  | Unmodified    |
| (b) Internal control over major programs:<br>Material weakness identified?  | No            |
| Significant deficiencies identified that are not<br>considered to be material weakness?                           | None reported |
| (c) Any audit findings disclosed that are required to be<br>reported in accordance with 2 CFR Section 200.516(a)? | No            |

***Major Programs:***

- |   |           |
|---|-----------|
| (d) Name of Federal Programs and CFDA Number:<br><br>Title I Grants to Local Educational Agencies | 84.010    |
| (e) Dollar threshold used to distinguish between<br>type A and type B programs:                   | \$750,000 |
| (f) Auditee qualified as low-risk auditee?  | Yes       |



**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2020  
(continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED  
TO FEDERAL AWARDS**

None noted

**SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS**

None noted

## **SUPPLEMENTAL SCHEDULES**

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000  
YEAR ENDED JUNE 30, 2020**

Vendor Name	Services Provided	Amount paid
TenSquare	School turnaround services	\$ 885,000
CDMSYSTEM	Employee healthcare	851,273
Smart Cleaning Solutions, Inc.	Janitorial services	245,985
Pepco	Utilities - electricity	201,941
PNC BANK	Credit card services	167,242
Carefirst Administrators	Employee healthcare	154,792
D.C. Central Kitchen	School meals vendor	140,601
DC Treasurer	DCPS retirement	135,205
EdOps	Accounting and finance services	122,627
The Shanahan Law Firm LLC	Legal services	64,990
Align Staffing	Substitute staff	63,990
Dynamic Network Solutions	Computer services	54,244
Swing Education Inc.	Substitute staff	50,422
SecureMedy Incorporated	School security	43,343
Beacon Hill Staffing Group	Substitute staff	41,994
Mutual of Omaha	Life insurance and EAP services	37,788
Seasonair IncComfort Systems USA	HVAC services	35,330
DC WATER & SEWER AUTHORITY	Utilities - water	34,554
Metlife Small Business Center	Dental and legal benefits	31,172
Jive Communications, Inc.	Telecommunications	30,480
Kenneth Newsome	Legal settlement	27,908
Marcum LLP	Legal fees	27,144
Amazon Credit Plan	School supplies	26,492
Wells Fargo Bank	Copier services	26,153
ADP	Payroll/retirement services	25,915

Note: The above schedule includes all vendors/contractors who were paid \$25,000 or more for which either a formal contract was executed or no formal contract was entered into, executed or negotiated during the fiscal year ended June 30, 2020. Based on a review of the signed conflict of interest forms, there appeared to be no related parties or parties-in-interest with respect to the above list of vendors.

**CESAR CHAVEZ PUBLIC CHARTER SCHOOLS FOR PUBLIC POLICY  
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000  
YEAR ENDED JUNE 30, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approx. Value</u>
NONE		

This schedule only reflects those unique vendors for which a verbal or written contract was entered into during fiscal year June 30, 2020, that are expected to equal or exceed \$25,000, for which services had not yet begun nor any payment received as of June 30, 2020. Therefore, this schedule does not include any vendors listed on the preceding schedule of vendors paid over \$25,000.