

COMMUNITY COLLEGE PREPARATORY ACADEMY
PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Community College Preparatory
Academy Public Charter School
2405 Martin Luther King Jr. Ave., SE
Washington, DC 20020

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Community College Preparatory Academy Public Charter School, (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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community College Preparatory Academy Public Charter School 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**

We have audited the financial statements of the Community College Preparatory Academy Public Charter School as of and for the years ended June 30, 2020 and 2019, and our report thereon dated December 1, 2020, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is 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 December 1, 2020, on our consideration of the Community College Preparatory Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Community College Preparatory Academy Public Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Community College Preparatory Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 1, 2020

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 4,939,533	\$ 3,375,090
Accounts Receivable	116,500	66,607
Promises Receivable	4,447	91,660
Prepaid Expenses	<u>56,078</u>	<u>51,324</u>
Total Current Assets	<u>\$ 5,116,558</u>	<u>\$ 3,584,681</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 175,333</u>	<u>\$ 160,336</u>
Total Fixed Assets	<u>\$ 175,333</u>	<u>\$ 160,336</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 27,277</u>	<u>\$ 27,277</u>
Total Other Assets	<u>\$ 27,277</u>	<u>\$ 27,277</u>
TOTAL ASSETS	<u>\$ 5,319,168</u>	<u>\$ 3,772,294</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 104,318	\$ 1,002,923
Income Taxes Payable	-	504
Accrued Vacation	12,317	11,958
Payroll Withholding and Related Liabilities	2,151	4,800
Current Portion: Financing Lease Obligation	<u>2,233</u>	<u>3,174</u>
Total Current Liabilities	<u>\$ 121,019</u>	<u>\$ 1,023,359</u>
<u>Long-Term Liabilities:</u>		
Financing Lease Obligation	\$ 2,233	\$ 5,407
Less: Current Portion	<u>(2,233)</u>	<u>(3,174)</u>
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 2,233</u>
Total Liabilities	<u>\$ 121,019</u>	<u>\$ 1,025,592</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 5,184,447	\$ 2,739,202
With Donor Restrictions	<u>13,702</u>	<u>7,500</u>
Total Net Assets	<u>\$ 5,198,149</u>	<u>\$ 2,746,702</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,319,168</u>	<u>\$ 3,772,294</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 5,937,453	\$ -	\$ 5,937,453	\$ 5,691,372	\$ -	\$ 5,691,372
Per Pupil Funding Allocation - Facilities	2,001,000	-	2,001,000	1,957,800	-	1,957,800
Contract Revenue	468,000	-	468,000	485,500	-	485,500
Contributions - Federal Awards	62,801	-	62,801	43,928	-	43,928
Contributions - State Awards	9,937	-	9,937	110,411	-	110,411
Private Grants and Contributions	4,054	17,452	21,506	8,781	14,220	23,001
Interest	27,743	-	27,743	26,722	-	26,722
Loss on Disposal of Fixed Assets	-	-	-	-	-	-
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>11,250</u>	<u>(11,250)</u>	<u>-</u>	<u>6,720</u>	<u>(6,720)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 8,522,238</u>	<u>\$ 6,202</u>	<u>\$ 8,528,440</u>	<u>\$ 8,331,234</u>	<u>\$ 7,500</u>	<u>\$ 8,338,734</u>
<u>Expenses:</u>						
Educational Services	\$ 5,370,192	\$ -	\$ 5,370,192	\$ 6,654,932	\$ -	\$ 6,654,932
General and Administrative	661,023	-	661,023	798,914	-	798,914
Fundraising	<u>45,778</u>	<u>-</u>	<u>45,778</u>	<u>46,597</u>	<u>-</u>	<u>46,597</u>
Total Expenses	<u>\$ 6,076,993</u>	<u>\$ -</u>	<u>\$ 6,076,993</u>	<u>\$ 7,500,443</u>	<u>\$ -</u>	<u>\$ 7,500,443</u>
Changes in Net Assets	\$ 2,445,245	\$ 6,202	\$ 2,451,447	\$ 830,791	\$ 7,500	\$ 838,291
Net Assets at Beginning of Year	<u>2,739,202</u>	<u>7,500</u>	<u>2,746,702</u>	<u>1,908,411</u>	<u>-</u>	<u>1,908,411</u>
Net Assets at End of Year	<u>\$ 5,184,447</u>	<u>\$ 13,702</u>	<u>\$ 5,198,149</u>	<u>\$ 2,739,202</u>	<u>\$ 7,500</u>	<u>\$ 2,746,702</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Executive Salaries	\$ 336,518	\$ 237,023	\$ 85,539	\$ 13,956	\$ 168,276	\$ 119,476	\$ 42,069	\$ 6,731
Other Support Staff Salaries	406,753	402,927	3,826	-	427,831	427,831	-	-
Student Specialist Salaries	475,240	475,240	-	-	539,616	539,616	-	-
Learning Lab Manager Salaries	145,937	145,937	-	-	299,508	299,508	-	-
Content Specialist Salaries	587,458	587,458	-	-	591,569	591,569	-	-
Business and Operations Salaries	636,128	430,134	205,994	-	582,370	282,182	300,188	-
Payroll Taxes	241,039	212,230	27,509	1,300	222,647	192,867	29,206	574
Employee Benefits	414,330	364,811	47,285	2,234	455,997	395,006	59,815	1,176
Professional Development	<u>105,070</u>	<u>98,068</u>	<u>7,002</u>	<u>-</u>	<u>140,143</u>	<u>125,758</u>	<u>14,385</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 3,348,473</u>	<u>\$ 2,953,828</u>	<u>\$ 377,155</u>	<u>\$ 17,490</u>	<u>\$ 3,427,957</u>	<u>\$ 2,973,813</u>	<u>\$ 445,663</u>	<u>\$ 8,481</u>
<u>Direct Student Costs:</u>								
Electronic Student Learning Materials	\$ 64,631	\$ 64,631	\$ -	\$ -	\$ 636,959	\$ 636,959	\$ -	\$ -
Student Supplies and Materials	4,684	4,684	-	-	21,345	21,345	-	-
Consultants	-	-	-	-	3,996	3,996	-	-
Student Assessment Materials	27,629	27,629	-	-	82,301	82,301	-	-
Student Recruitment	64,792	64,792	-	-	26,731	26,731	-	-
Contracted Instruction	752,614	752,614	-	-	1,101,578	1,101,578	-	-
Textbooks	3,849	3,849	-	-	19,209	19,209	-	-
Other Student Costs	<u>21,946</u>	<u>21,946</u>	<u>-</u>	<u>-</u>	<u>18,438</u>	<u>18,438</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 940,145</u>	<u>\$ 940,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,910,557</u>	<u>\$ 1,910,557</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent of Facilities	\$ 923,000	\$ 859,666	\$ 61,378	\$ 1,956	\$ 1,222,900	\$ 1,096,279	\$ 125,401	\$ 1,220
Contracted Building Services	138,108	128,631	9,184	293	137,505	123,268	14,100	137
Utilities	59,049	54,997	3,927	125	58,238	52,208	5,972	58
Building Maintenance and Repairs	19,005	17,701	1,264	40	40,000	35,858	4,102	40
Depreciation - Leasehold Improvement	5,056	4,709	336	11	5,938	5,323	609	6
Janitorial Supplies	<u>16,168</u>	<u>15,059</u>	<u>1,075</u>	<u>34</u>	<u>9,427</u>	<u>8,451</u>	<u>967</u>	<u>9</u>
Total Occupancy Costs	<u>\$ 1,160,386</u>	<u>\$ 1,080,763</u>	<u>\$ 77,164</u>	<u>\$ 2,459</u>	<u>\$ 1,474,008</u>	<u>\$ 1,321,387</u>	<u>\$ 151,151</u>	<u>\$ 1,470</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 29,518	\$ 27,492	\$ 1,963	\$ 63	\$ 21,040	\$ 18,861	\$ 2,157	\$ 22
Office Equipment, Rental and Maintenance	11,161	10,395	742	24	6,898	6,184	707	7
Telecommunications	54,551	50,808	3,628	115	31,653	28,375	3,246	32
Printing and Copying	18,577	17,303	1,235	39	25,197	22,588	2,584	25
Postage and Shipping	1,652	1,538	110	4	1,054	945	108	1
Computer and Related	126,974	118,512	8,462	-	151,106	135,596	15,510	-
Marketing and Advertising	<u>5,341</u>	<u>4,985</u>	<u>356</u>	<u>-</u>	<u>13,384</u>	<u>12,010</u>	<u>1,374</u>	<u>-</u>
Total Office Expenses	<u>\$ 247,774</u>	<u>\$ 231,033</u>	<u>\$ 16,496</u>	<u>\$ 245</u>	<u>\$ 250,332</u>	<u>\$ 224,559</u>	<u>\$ 25,686</u>	<u>\$ 87</u>
<u>General Expenses:</u>								
Accounting, Auditing and Payroll	\$ 107,719	\$ -	\$ 107,719	\$ -	\$ 109,569	\$ 8,928	\$ 100,641	\$ -
Legal	6,403	-	6,403	-	10,000	-	10,000	-
Authorizer Fee	76,313	64,866	11,447	-	74,601	63,411	11,190	-
Consultants	50,674	2,084	48,590	-	70,853	22,200	34,853	13,800
Insurance	7,527	-	7,527	-	2,436	-	2,436	-
Depreciation - Equipment	90,982	84,739	6,050	193	127,135	113,972	13,036	127
Interest Expense	965	-	965	-	1,638	-	1,638	-
Business Fees and Dues	11,602	10,271	1,331	-	12,529	10,881	1,648	-
Income Taxes	-	-	-	-	374	-	374	-
Other General Expenses	<u>28,030</u>	<u>2,463</u>	<u>176</u>	<u>25,391</u>	<u>28,454</u>	<u>5,224</u>	<u>598</u>	<u>22,632</u>
Total General Expenses	<u>\$ 380,215</u>	<u>\$ 164,423</u>	<u>\$ 190,208</u>	<u>\$ 25,584</u>	<u>\$ 437,589</u>	<u>\$ 224,616</u>	<u>\$ 176,414</u>	<u>\$ 36,559</u>
Total Functional Expenses	<u>\$ 6,076,993</u>	<u>\$ 5,370,192</u>	<u>\$ 661,023</u>	<u>\$ 45,778</u>	<u>\$ 7,500,443</u>	<u>\$ 6,654,932</u>	<u>\$ 798,914</u>	<u>\$ 46,597</u>

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 2,451,447	\$ 838,291
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	96,038	133,073
Accounts Receivable - (Increase)/Decrease	(49,893)	(31,357)
Promises Receivable - (Increase)/Decrease	87,213	(91,660)
Prepaid Expenses - (Increase)/Decrease	(4,754)	(9,080)
Accounts Payable - Increase/(Decrease)	(898,605)	686,187
Income Taxes Payable - Increase/(Decrease)	(504)	124
Accrued Vacation - Increase/(Decrease)	359	(5,150)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	<u>(2,649)</u>	<u>2,933</u>
Net Cash Flows from Operating Activities	<u>\$ 1,678,652</u>	<u>\$ 1,523,361</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets and Leasehold Improvements	<u>\$ (111,035)</u>	<u>\$ (64,139)</u>
Net Cash Flows from Investing Activities	<u>\$ (111,035)</u>	<u>\$ (64,139)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments on Financing Lease Obligation	\$ (3,174)	\$ (2,503)
Short-term Lending	-	(1,000,000)
Repayment of Short-term Lending	<u>-</u>	<u>1,000,000</u>
Net Cash Flows from Financing Activities	<u>\$ (3,174)</u>	<u>\$ (2,503)</u>
Net Increase in Cash and Cash Equivalents	\$ 1,564,443	\$ 1,456,719
Cash and Cash Equivalents at Beginning of Year	<u>3,375,090</u>	<u>1,918,371</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,939,533</u>	<u>\$ 3,375,090</u>

Supplemental Disclosures:

- a) Interest in the amount of \$965 and \$1,638 was paid during the years ended June 30, 2020 and 2019, respectively.
- b) Income taxes in the amount of \$250 were paid during the year ended June 30, 2019.

(See Accompanying Notes and Auditor's Report)

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Community College Preparatory Academy Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on July 23, 2012, exclusively for educational purposes. The Community College Preparatory Academy Public Charter School is in its seventh year of operation as an Adult Charter School. The main site is located at 2405 Martin Luther King Ave., SE, with a larger scaled site (MC Terrell) located at 3301 Wheeler Road, SE. The mission of the Charter School is *“to provide the education and skills development to empower and prepare under-credited adults for post-secondary educational success, viable employment and lifelong learning.”*

The Charter School’s primary sources of support have remained local appropriations for charter schools from the District of Columbia. Additional public funds are received from the Department of Employment Services (DOES) for training under the Human Care Agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Charter School has implemented the new accounting and reporting standards surrounding contributions. These new standards affect financial statement reporting and disclosures included within the body of the financial statements. The new standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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 statement of activities as net assets released from restrictions.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. If both exist, then the contribution is conditional.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Contributions)

Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Federal and Charter School Funding

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding and a facilities allowance. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contract Revenues

Contract revenues are considered to be exchange transactions, and are recognized as the services are completed. Payment for such services in advance is recognized as a deferred revenue until such time as the revenue is earned.

(c) Corporate Taxes:

The Community College Preparatory Academy Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective September 24, 2014. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(1)(A)(ii).

Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019, the Charter School recognized \$124 of income tax expense related to the filing of the 990-T tax returns. In addition, \$250 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits for the year ended June 30, 2019.

The Community College Preparatory Academy Public Charter School is also exempt from District of Columbia sales, franchise, and personal property taxes.

(d) Government Grants:

The Charter School receives grants from federal governmental agencies for the purpose of providing a social benefit to the general public. Pursuant to the implementation of the accounting standard ASU No. 2018-08, government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the Charter School to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivable are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended at year-end, are reflected as a refundable advance.

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following purposes:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Hope Project	\$ 7,500	\$ 7,500
Covid-19 Emergency Use Funds	<u>6,202</u>	<u>-</u>
Total Net Assets Available	<u>\$ 13,702</u>	<u>\$ 7,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following purpose:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Sponsorship - Evening with the Stars	<u>\$ 11,250</u>	<u>\$ 6,720</u>
Total Net Assets Released from Restrictions	<u>\$ 11,250</u>	<u>\$ 6,720</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services and materials recorded in the financial statements for the years ended June 30, 2020 and 2019.

(g) Basic Programs:

The design of the Charter School was in response to two major challenges confronting the District of Columbia, namely:

1. The increasing number of adults in their prime wage earning years, entering post-secondary education unprepared to successfully complete an Associate Degree or Advanced Vocational Certifications; and
2. The overwhelming number of DC residents unable to be employed in the city due to the lack of core academic skills and the lack of certificated workforce skills required by the city's knowledge-based economy.

Programs and Services: The instructional model for CC Prep responds to these challenges by providing a comprehensive, proven, blended learning approach. Programming includes: remediation in core academic skills; core skills in computer literacy; on-line learning that leads to a high school diploma via the new GED exam, college entry at freshman level via successful preparation for the ACUPLACER examination. Additionally, training and national certification is provided in Heating and Ventilation (HVAC).

The Career focused programming titled Career Pathways includes preparation for a range of highly portable, national certifications to support entry to the city's knowledge-based economy and job market. Special focus prepares students for employment in the technology and tech-related fields. This focus was selected as it offers the broadest range of options for entry-level employment, including everything from a Data Entry Clerk to Certified Help Desk and Cabling technician.

CC Prep has a staff of 37 full time and 2 part time and School Year 2020 operating budget of over \$8.0 million this year. CC Prep was approved by the DC Public Charter School Board in January 2012 and classes began in September 2013.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Programs and Services: (Continued)

The Founder and Executive Director, C. Vannessa (Connie) Spinner, has more than 30 years of experience in education and workforce development. CC Prep is able to maintain administrative and fiscal infrastructure as part of the city's ongoing public dollar funding commitment established by the Charter school legislation. The school's Charter was reviewed and approved in SY2018 and will undergo tenth year review in SY2023. In SY2020, the Board redesigned the structure to include a C Suite with a Chief Advocacy Officer and a Chief Executive Officer.

The Charter School's programming is based on the four outcomes for CC Prep adult learners:

1. Successful high school completion via the new High School Equivalency Examination (GED);
2. Successful entry into Community College at freshman level as a result of preparation for the ACCUPLACER entry examination and / or dual enrollment;
3. Successful completion of national entry-level employment certifications in the emerging fields for the District of Columbia (i.e., technology, administrative support and health careers); and/or
4. Successful attainment of necessary skills in reasoning, mathematics, computers, and on-line research required for life-long learning in the twenty-first century.

The school has continued to expand its role as a Microsoft Office Academy School. CC Prep is currently the most productive MOS Academy School in the city.

Based upon review of student data, the organization continued as a year-round school and operated from 9:00 am to 9:00 pm daily, providing instruction in three-hour sessions: 9:00 am to 12:00 noon, 1:00 pm to 4:00 pm and 5:00 pm to 8:45 pm, Monday through Thursday evenings.

All adult learners are assessed initially and at regular intervals (every 6 to 8 weeks based on initial grade equivalent scores) using the ETABE (Test of Adult Basic Education). The ETABE was selected as it is most closely aligned with My Foundations Lab, the core curriculum and the new GED.

The GED preparation program which was developed to align with the Common Core Standards and has remained the declared goal for 45% of all enrolled students. Based on the assessment analysis, students complete an Individual Learning Plan (ILP) with their assigned Student Success Specialist. All students are expected to spend a minimum of fifteen hours a week in class.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Programs and Services: (Continued)

In addition to regularly scheduled ETABE assessments, students are assessed for skill mastery as part of the curricular design. Once students reach the 7th grade 5th month level in Reading, they are eligible to begin Microsoft Word training, which is now recommended for all students. When students reach the 9th grade level in Reading and Mathematics, students participate in either GED or ACCUPLACER Boot Camps (weekly Intensive Workshops focusing specifically on test taking skills).

As a direct result of COVID 19 the school opened in the fall with more than 90% of the classes being held virtually in compliance with the city's health requirements and we expect to continue in virtual format for the greater part of the year.

(h) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, electronic learning materials, student assessment materials, supplies, and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures: (Continued)

- Certain staff expenses including staff development, staff recruiting, and staff events are generally allocated between general and administrative and program functions based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

(i) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(k) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Change in Accounting Principles: (Continued)

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities. This standard also provides additional guidance to determine whether grants and contracts from the federal, state, and local governments should be classified as a contribution or an exchange transaction.

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2014-9 “Revenue from Contracts with Customers” (Topic 606), in the current year, applying the changes retrospectively. The core principle of the new standard is that revenue recognition should “depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services” (ASC 606-10-05-3).

These changes had no effect on net assets at July 1, 2019.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 4,939,533	\$ 3,375,090
Accounts Receivable	116,500	66,607
Promises Receivable	<u>4,447</u>	<u>91,660</u>
Total Financial Assets	<u>\$ 5,060,480</u>	<u>\$ 3,533,357</u>
Less Amounts Not Available for General Expenditure Within One Year:	<u>\$ -</u>	<u>\$ -</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,060,480</u>	<u>\$ 3,533,357</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: (Continued)

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Charter School invests cash in excess of daily requirements in short-term investments through a deposit placement agreement which invests in demand deposit accounts.

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2020, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2020, the Charter School had no accruals for interest and/or penalties.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Demand Deposit Accounts	\$ 1,662,591	\$ 220,265
Checking Account - Non Interest Bearing	500,039	501,799
Money Market Savings	<u>2,776,903</u>	<u>2,653,026</u>
Total	<u>\$ 4,939,533</u>	<u>\$ 3,375,090</u>

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

The Charter School maintains its operating funds in one financial institution in the form of non-interest bearing business checking accounts, demand deposit accounts and money market savings. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2020 and 2019, \$3,027,238 and \$2,910,083, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation Limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS: (Continued)

Deposit Placement and Sweep Agreements

In order to minimize credit risk on deposits, the Charter School has entered into a deposit placement agreement with United Bank. Through this agreement, funds deposited in excess of \$250,000 are transferred by the bank to other depository institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are held in Demand Deposit Accounts (DDA) with the financial institutions which provides for unlimited withdrawals.

5. ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

Accounts receivable are current and considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Contracts	\$ 116,000	\$ 59,750
Other	500	600
Reimbursable Expenses	<u>-</u>	<u>6,257</u>
Total	<u>\$ 116,500</u>	<u>\$ 66,607</u>

The Charter School's accounts receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for amounts owed to it through the year and at year end.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2020 and 2019.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. The Charter School uses the allowance method to determine uncollectible promises to give.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Promises receivable at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
DC School Incentive Program - SOAR	\$ 4,447	\$ -
Pathways for Young Adults Program	-	67,105
Fitness Grant	<u>-</u>	<u>24,555</u>
Total	<u>\$ 4,447</u>	<u>\$ 91,660</u>

The above promises receivable are due to be received in less than one year.

The Charter School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2020</u>
DC HOPE Community Grant	\$ 69,722
DC School Incentive Program - SOAR	<u>65,432</u>
Total	<u>\$ 135,154</u>

6. NOTE RECEIVABLE:

The Charter School entered into a promissory note with the Charter School Incubator Initiative on November 20, 2018, in which the Charter School loaned the Charter School Incubator Initiative an amount of \$1,000,000 for a period up to three months. This note bears interest at one half of a percent (0.50%) per month. This loan was repaid in full on January 2, 2019. There was no outstanding loan receivable at June 30, 2019.

7. FIXED ASSETS:

Furniture and equipment, and leasehold improvements are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$96,038 and \$133,073, respectively. Maintenance and repairs are charged to expenses as incurred.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2020

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Fixtures	5 Years	\$ 258,170	\$ 194,775	\$ 63,395
Computer and Office Equipment	3 Years	446,166	338,258	107,908
Leasehold Improvements	Lease Term	<u>36,594</u>	<u>32,564</u>	<u>4,030</u>
Total		<u>\$ 740,930</u>	<u>\$ 565,597</u>	<u>\$ 175,333</u>

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Fixtures	5 Years	\$ 244,876	\$ 154,487	\$ 90,389
Computer and Office Equipment	3 Years	428,788	367,927	60,861
Leasehold Improvements	Lease Term	<u>36,594</u>	<u>27,508</u>	<u>9,086</u>
Total		<u>\$ 710,258</u>	<u>\$ 549,922</u>	<u>\$ 160,336</u>

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

8. FINANCING LEASE PAYABLE:

On January 24, 2018, the Charter School entered into a financing lease for the rental of a Copystar 5052cii photocopier with Wells Fargo Vendor Financial Services, LLC. The amount financed through the financing lease was \$12,420, and is payable over thirty-six (36) months with a monthly payment of \$345. Maturity is scheduled for February 4, 2021. Interest expense was \$965 and \$1,638, respectively, for the years ended June 30, 2020 and 2019 using an implicit rate of 2%. The lease is secured by the photocopy equipment that cost \$8,789, and is presented as part of computer and office equipment. For the years ended June 30, 2020 and 2019, depreciation expense in the amount of \$2,930, on the photocopier is included in depreciation expense. Accumulated depreciation was \$7,080 and \$4,150 at June 30, 2020 and 2019, respectively. The balance of the financing lease debt at June 30, 2020 and 2019 was \$2,233 and \$5,407, respectively. The Charter School is committed under this financing lease to make future minimum payments as follows:

<u>Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	<u>\$ 2,415</u>	<u>\$ 2,233</u>	<u>\$ 182</u>
Total	<u>\$ 2,415</u>	<u>\$ 2,233</u>	<u>\$ 182</u>

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated July 1, 2013, provides for a 15-year charter effective the date of first operation. If not renewed, the charter contract will expire on or about July 1, 2028. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Community College Preparatory Academy is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review Community College Preparatory Academy's charter every five years, with the most recent review having occurred in 2018. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 19/20 and 18/19 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2020 and 2019, the Charter School incurred \$76,313 and \$74,601, respectively, in administrative fees.

The charter contract provides that the Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2020, was not permitted to be greater than 600 students. Audit enrollment for the 2019/2020 year was 600 students and enrollment for the 2018/2019 year was 600 students.

10. FEDERAL GRANTS:

During the years ended June 30, 2020 and 2019, the Charter School participated in the following federal awards program:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
DC School Incentive Program - SOAR	\$ <u>62,801</u>	\$ <u>43,928</u>
Total	\$ <u>62,801</u>	\$ <u>43,928</u>

11. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allowances. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2020, the per-student rate was \$9,772 for the education allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per-student rate was \$9,486 for the education allotment and \$3,263 for the facility allotment.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. PER-PUPIL FUNDING ALLOCATION: (Continued)

Per-pupil funding for the years ended June 30, 2020 and 2019 was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Adult Education	\$ 5,863,320	\$ 5,691,372
Facilities Allowance	2,001,000	1,957,800
One Time Additional Payment	<u>74,133</u>	<u>-</u>
Total	<u>\$ 7,938,453</u>	<u>\$ 7,649,172</u>

12. COMMITMENTS:

Building Lease - 2405 Martin Luther King Jr. Avenue, SE

The Community College Preparatory Academy Public Charter School entered into an operating lease rental agreement on June 1, 2013, effective July 1, 2013, with Howard Road Academy (currently operating as Cedar Tree Academy) for the rental of a school facility (11,000 square feet) located at 2405 Martin Luther King Jr. Avenue, SE, Washington, DC. The term of this agreement was for an original one-year period continuing through June 30, 2014, with an option to renew the agreement for additional one-year periods. This lease has been renewed through June 30, 2020, with monthly payments in the amount of \$23,000 commencing on July 1, 2019. In addition, as a requirement of this lease, a rental security deposit of \$18,000 was made. The Community College Preparatory Academy Public Charter School is responsible for all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. Rent expense on this lease for the years ended June 30, 2020 and 2019, was \$276,000 and \$264,000, respectively.

Building Lease - 3301 Wheeler Road, SE

The Community College Preparatory Academy Public Charter School entered into a Use agreement with the Charter School Incubator Initiative for the rental of a school facility located at 3301 Wheeler Road, SE, Washington, DC. The rental lease is effective for a 56-month period commencing on October 20, 2016, and expiring on June 30, 2021. As part of this agreement, the Charter School has the option to extend the term of the lease for three additional terms of five years each. As a requirement of this lease, a rental security deposit of \$5,000 is to be made. An annual usage fee will be payable in quarterly installments. The annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the District of Columbia less an allowance of \$20,000 to cover the cost of the day porter, night cleaning and related supplies that are paid by the Charter School.

On February 6, 2019, the Charter School entered into a lease amendment that extended the lease through June 30, 2024. Effective July 1, 2019, the annual usage fee represents an amount equal to the number of students enrolled on each census date (every October) multiplied by the per pupil facilities allowance received from the District of Columbia. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, maintenance and repairs, security monitoring and pest control.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. COMMITMENTS: (Continued)

Building Lease - 3301 Wheeler Road, SE (Continued)

As a provision of this lease, the Community College Preparatory Academy Public Charter School has provided the Charter School Incubator Initiative a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises. Rent expense related to this lease for the years ended June 30, 2020 and 2019, was \$647,000 and \$958,900, respectively.

Photocopier Lease

The Charter School entered into an operating lease with Wells Fargo for the rental of a CS 5551C Copier. This lease called for thirty-six (36) monthly payments of \$395 commencing on October 1, 2016. Rental expense for the years ending June 30, 2020 and 2019, was \$823 and \$5,649, respectively.

The Charter School entered into an operating lease with Wells Fargo for the rental of a CS 5053ci Copier. This lease called for thirty-six (36) monthly payments of \$345 commencing on September 10, 2019. Rental expense for the year ending June 30, 2020 was \$4,056. Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 4,140
2022	4,140
2023	<u>690</u>
Total	<u>\$ 8,970</u>

Organization Credit Card

The Charter School utilizes a credit card issued by United Bank for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a credit limit of \$30,000 and is considered to be unsecured.

13. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation, at times, is supplemented with extra funds for students with special needs. During the years ended June 30, 2020 and 2019, ninety-three percent (93%) and ninety-two percent (92%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. CONTINGENCIES:

Compliance and Accountability

The Charter School was granted its initial charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

Pandemic

The Charter School has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Charter School is closely monitoring its operations as well as the potential effects on its 2020/2021 academic year and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Charter School's financial position is not known.

15. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS:

Board of Directors

Two of the board members appointed to serve on the Board of Directors are adult students attending the Charter School. Student trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board.

17. FUNDRAISING:

During the years ended June 30, 2020 and 2019, expenses incurred for the purpose of fundraising were \$45,778 and \$46,597, respectively.

18. 401(k) PROFIT SHARING PLAN:

The Community College Prep Public Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by MG Trust Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. There is no unfunded past service liability. The Charter School contributes, on a matching basis, 3% of an employee's eligible wages to the plan. In addition, if an employee contributes an additional 2% (total of 5%), the Charter School will match 50% on this additional 2% contribution. The Charter School's contributions for the years ended June 30, 2020 and 2019 were \$18,042 and \$28,372, respectively.

19. EMPLOYEE BENEFITS:

The cost of employee benefits incurred for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Social Security/Medicare	\$ 193,097	\$ 187,288
Health Insurance	355,249	396,812
Retirement	18,042	28,372
Unemployment	31,892	31,226
Workers Compensation	23,842	22,428
DeMinimus	17,197	8,385
Paid Leave Tax	<u>16,050</u>	<u>4,133</u>
Total	<u>\$ 655,369</u>	<u>\$ 678,644</u>

Flexible Benefits Plan

The Charter School adopted a Section 125 Flexible Benefits Plan. Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health, dental and vision premiums and life insurance.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Community College Preparatory Academy
Public Charter School
2405 Martin Luther King Jr. Ave., SE
Washington, DC 20020

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Community College Preparatory Academy Public Charter School (a nonprofit organization), 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 December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Community College Preparatory Academy Public Charter 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 Community College Preparatory Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community College Preparatory Academy Public Charter School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community College Preparatory Academy Public Charter 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 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.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 1, 2020

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Auditor's Results

- a. The auditor's report expresses an unmodified opinion whether on the financial statements of the Community College Preparatory Academy Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies in internal control relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Community College Preparatory Academy Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

There were no findings in the current year.

COMMUNITY COLLEGE PREPARATORY ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2020

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
Elijah Moses	HVAC Training	28,000	no
Daphne Atkinson & Associates, LLC	Professional Development	35,770	no
MG Trust	401(k) Payments	45,971	no
Solo and Society, LLC	Professional Development	50,405	no
CommonLit, Inc.	Professional Development	66,667	no
NOW Heating & Air Conditioning	HVAC Training	73,350	no
Marcum LLP	Accounting Services	125,664	no
Capitol Services Management, Inc	Janitorial Services	128,920	no
DC Public Charter School Board	Charter Fees	148,604	no
Dynamic Network Solutions	IT Services	205,734	no
United Bankcard Center	Credit Card	220,452	no
Pearson Education	Academic Software	342,000	no
Cedar Tree Academy	Rent - MLK	409,679	no
DC Health Link	Health Insurance	516,058	no
R. Emmanuel Bell Consulting	CompTIA Training	861,496	no
Charter School Incubator Initiative	Rent - MCT	1,102,392	no