

DC BILINGUAL 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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INDEX

	<u>Page</u>
Independent Auditor's Report	1-3
Comparative Statements of Financial Position, June 30, 2020 and 2019	4
Comparative Statements of Activities, For the Years Ended June 30, 2020 and 2019	5
Comparative Statements of Functional Expenses, For the Years Ended June 30, 2020 and 2019	6-7
Comparative Statements of Cash Flows, For the Years Ended June 30, 2020 and 2019	8
Notes to Financial Statements	9-29
<u>Supplemental Information:</u>	
Schedule 1 - Schedule of Expenditures of Federal Awards, For the Year Ended June 30, 2020	30-31
Notes to Schedule of Expenditures of Federal Awards	32-33
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 <i>Government Auditing Standards</i>	34-35
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	36-37
Summary Schedule of Prior Audit Findings, For the Year Ended June 30, 2020	38
Schedule of Findings and Questioned Costs, For the Year Ended June 30, 2020	39
<u>Non-Accounting Information:</u>	
Schedule of Contracts Awarded in Excess of \$25,000	40

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
DC Bilingual Public Charter School
33 Riggs Road, NE
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the DC Bilingual 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 DC Bilingual 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.

Emphasis-of-Matter

As discussed in Note 3 to the financial statements, an error resulting in the understatement of amounts previously reported for accounts receivable as of June 30, 2019, and cumulative Medicaid revenues through the year ended June 30, 2019, were discovered by management of the DC Bilingual Public Charter School. Accordingly, amounts reported for accounts receivable and Medicaid revenues have been restated as of July 1, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters**Supplementary Information**

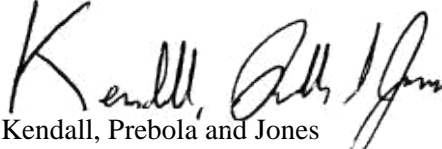
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 as a whole.

Other Information

We have audited the financial statements of the DC Bilingual Public Charter School as of and for the years ended June 30, 2020 and 2019, and our report thereon dated December 10, 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 10, 2020, on our consideration of the DC Bilingual 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 DC Bilingual 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 DC Bilingual Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 10, 2020

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

<u>ASSETS</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 5,532,136	\$ 4,649,169
Accounts Receivable	212,974	217,558
Promises Receivable	383,562	175,423
Prepaid Expenses	<u>87,642</u>	<u>102,355</u>
Total Current Assets	<u>\$ 6,216,314</u>	<u>\$ 5,144,505</u>
<u>Fixed Assets:</u>		
Furniture and Equipment	\$ 112,282	\$ 108,125
Computer Equipment	279,550	248,361
Leasehold Improvements	15,293,168	14,942,907
Construction in Progress	779,125	34,500
Less: Accumulated Depreciation and Amortization	<u>(1,220,276)</u>	<u>(655,772)</u>
Total Fixed Assets	<u>\$ 15,243,849</u>	<u>\$ 14,678,121</u>
<u>Other Assets:</u>		
Cash - Restricted for Debt Service	\$ 242,729	\$ 241,382
Accounts Receivable - Long-Term	244,252	274,796
Deposit	<u>24,163</u>	<u>23,000</u>
Total Other Assets	<u>\$ 511,144</u>	<u>\$ 539,178</u>
TOTAL ASSETS	<u>\$ 21,971,307</u>	<u>\$ 20,361,804</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 462,587	\$ 461,836
Payroll and Related Liabilities	710,098	666,453
Deferred Revenue	37,882	24,368
Deferred Rent Abatement	598,158	323,535
Current Portion of Note Payable	<u>74,032</u>	<u>-</u>
Total Current Liabilities	<u>\$ 1,882,757</u>	<u>\$ 1,476,192</u>
<u>Long-Term Liabilities:</u>		
Note Payable	\$ 13,857,725	\$ 13,804,372
Less: Current Portion of Note Payable	<u>(74,032)</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 13,783,693</u>	<u>\$ 13,804,372</u>
Total Liabilities	<u>\$ 15,666,450</u>	<u>\$ 15,280,564</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 5,985,329	\$ 4,888,318
With Donor Restrictions	<u>319,528</u>	<u>192,922</u>
Total Net Assets	<u>\$ 6,304,857</u>	<u>\$ 5,081,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,971,307</u>	<u>\$ 20,361,804</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
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
Revenues, Gains and Other Support:						
Per Pupil Funding Allocation	\$ 8,111,332	\$ -	\$ 8,111,332	\$ 7,723,302	\$ -	\$ 7,723,302
Per Pupil Funding - Facilities Allowance	1,510,755	-	1,510,755	1,448,772	-	1,448,772
Contributions - Federal Awards	1,182,803	-	1,182,803	1,291,153	-	1,291,153
Contributions - State Awards	94,507	-	94,507	77,823	-	77,823
Service Fees	121,127	-	121,127	234,378	-	234,378
Private Grants and Contributions	433,741	425,476	859,217	18,035	441,946	459,981
Student Activity Fees	350,186	-	350,186	400,788	-	400,788
Interest Revenue	1,357	-	1,357	2,640	-	2,640
Gain/Loss on Disposal of Fixed Assets	-	-	-	1,605	-	1,605
Other	7,083	-	7,083	5,454	-	5,454
Special Event (Auction):						
Contributions Derived	\$ -	\$ 15,924	\$ 15,924	\$ -	\$ 56,918	\$ 56,918
Gifts-in-Kind	5,192	-	5,192	12,191	-	12,191
Entry Fee - Ticket Sales	-	-	-	24,240	-	24,240
Less: Cost of Direct Benefits to Donors	-	-	-	(21,895)	-	(21,895)
Net Revenue from Special Event	<u>\$ 5,192</u>	<u>\$ 15,924</u>	<u>\$ 21,116</u>	<u>\$ 14,536</u>	<u>\$ 56,918</u>	<u>\$ 71,454</u>
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>\$ 314,794</u>	<u>\$ (314,794)</u>	<u>\$ -</u>	<u>\$ 633,267</u>	<u>\$ (633,267)</u>	<u>\$ -</u>
Total Revenues, Gains and Other Support	<u>\$ 12,132,877</u>	<u>\$ 126,606</u>	<u>\$ 12,259,483</u>	<u>\$ 11,851,753</u>	<u>\$ (134,403)</u>	<u>\$ 11,717,350</u>
Expenses:						
Educational Services	\$ 9,623,420	\$ -	\$ 9,623,420	\$ 9,350,644	\$ -	\$ 9,350,644
General and Administrative	1,189,039	-	1,189,039	858,345	-	858,345
Fundraising	<u>223,407</u>	<u>-</u>	<u>223,407</u>	<u>212,712</u>	<u>-</u>	<u>212,712</u>
Total Expenses	<u>\$ 11,035,866</u>	<u>\$ -</u>	<u>\$ 11,035,866</u>	<u>\$ 10,421,701</u>	<u>\$ -</u>	<u>\$ 10,421,701</u>
Changes in Net Assets	<u>\$ 1,097,011</u>	<u>\$ 126,606</u>	<u>\$ 1,223,617</u>	<u>\$ 1,430,052</u>	<u>\$ (134,403)</u>	<u>\$ 1,295,649</u>
Net Assets, Beginning of Year, as Previously Reported	\$ 4,888,318	\$ 192,922	\$ 5,081,240	\$ 3,211,896	\$ 327,325	\$ 3,539,221
Adjustment for Restatement of Net Assets, Beginning Balance (Note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,370</u>	<u>-</u>	<u>246,370</u>
Net Assets, End of Year, As Restated	<u>\$ 5,985,329</u>	<u>\$ 319,528</u>	<u>\$ 6,304,857</u>	<u>\$ 4,888,318</u>	<u>\$ 192,922</u>	<u>\$ 5,081,240</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>				<u>June 30, 2019</u>			
	<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>								
Salaries	\$ 5,927,536	\$ 5,361,666	\$ 451,317	\$ 114,553	\$ 5,394,948	\$ 5,018,254	\$ 262,102	\$ 114,592
Employee Benefits	423,233	382,829	32,225	8,179	417,757	388,588	20,296	8,873
Payroll Taxes	489,985	443,209	37,307	9,469	424,554	394,910	20,626	9,018
Staff Development Expense	109,765	101,815	6,806	1,144	67,999	64,100	3,173	726
Other Personnel Expense	32,593	30,232	2,021	340	39,486	37,221	1,843	422
Total Personnel, Salaries and Benefits	<u>\$ 6,983,112</u>	<u>\$ 6,319,751</u>	<u>\$ 529,676</u>	<u>\$ 133,685</u>	<u>\$ 6,344,744</u>	<u>\$ 5,903,073</u>	<u>\$ 308,040</u>	<u>\$ 133,631</u>
<u>Direct Student Costs:</u>								
Textbooks	\$ 54,645	\$ 54,645	\$ -	\$ -	\$ 56,794	\$ 56,794	\$ -	\$ -
Student Supplies and Materials	112,268	112,268	-	-	122,870	122,870	-	-
Student Assessment Materials	27	27	-	-	3,120	3,120	-	-
Food Service	224,493	224,493	-	-	335,809	335,809	-	-
Contracted Instruction	549,726	549,726	-	-	558,909	558,909	-	-
Student Travel/Transportation	3,893	3,893	-	-	-	-	-	-
Other Student Costs	66,333	66,333	-	-	141,131	141,131	-	-
Total Direct Student Costs	<u>\$ 1,011,385</u>	<u>\$ 1,011,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,218,633</u>	<u>\$ 1,218,633</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 274,623	\$ 254,734	\$ 17,028	\$ 2,861	\$ 248,088	\$ 233,863	\$ 11,577	\$ 2,648
Maintenance and Repairs	55,278	51,275	3,427	576	121,438	114,475	5,667	1,296
Contracted Building Services	371,369	344,475	23,026	3,868	327,467	292,950	22,851	11,666
Depreciation - Leasehold Improvements	517,451	479,977	32,084	5,390	402,789	379,693	18,796	4,300
Interest Expense	722,320	677,062	45,258	-	539,728	514,270	25,458	-
Utilities	144,053	133,620	8,932	1,501	134,585	126,868	6,280	1,437
Janitorial Supplies	2,088	1,937	129	22	2,485	2,342	116	27
Total Occupancy Costs	<u>\$ 2,087,182</u>	<u>\$ 1,943,080</u>	<u>\$ 129,884</u>	<u>\$ 14,218</u>	<u>\$ 1,776,580</u>	<u>\$ 1,664,461</u>	<u>\$ 90,745</u>	<u>\$ 21,374</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>				<u>June 30, 2019</u>			
	<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	\$ 27,421	\$ 25,597	\$ 1,711	\$ 113	\$ 31,359	\$ 29,561	\$ 1,463	\$ 335
Equipment Rental and Maintenance	55,409	51,396	3,436	577	42,258	39,835	1,972	451
Telephone/Telecommunications	16,337	15,154	1,013	170	11,302	10,654	527	121
Postage and Shipping	9,732	9,028	603	101	1,441	1,359	67	15
Computer Support Fees	20,383	19,106	1,277	-	23,245	22,149	1,096	-
Printing and Duplication	<u>1,869</u>	<u>1,734</u>	<u>116</u>	<u>19</u>	<u>1,481</u>	<u>1,396</u>	<u>69</u>	<u>16</u>
Total Office Expenses	<u>\$ 131,151</u>	<u>\$ 122,015</u>	<u>\$ 8,156</u>	<u>\$ 980</u>	<u>\$ 111,086</u>	<u>\$ 104,954</u>	<u>\$ 5,194</u>	<u>\$ 938</u>
<u>General Expenses:</u>								
Insurance	\$ 42,351	\$ 39,697	\$ 2,654	\$ -	\$ 50,681	\$ 48,290	\$ 2,391	\$ -
Authorizer Fee	104,678	98,119	6,559	-	100,315	95,583	4,732	-
Business Fees and Dues	30,764	-	30,764	-	108,866	64,896	43,970	-
Other Professional Fees	569,470	45,268	449,678	74,524	647,388	190,337	400,282	56,769
Bad Debt	28,720	-	28,720	-	-	-	-	-
Depreciation	<u>47,053</u>	<u>44,105</u>	<u>2,948</u>	<u>-</u>	<u>63,408</u>	<u>60,417</u>	<u>2,991</u>	<u>-</u>
Total General Expenses	<u>\$ 823,036</u>	<u>\$ 227,189</u>	<u>\$ 521,323</u>	<u>\$ 74,524</u>	<u>\$ 970,658</u>	<u>\$ 459,523</u>	<u>\$ 454,366</u>	<u>\$ 56,769</u>
Total Functional Expenses	<u>\$ 11,035,866</u>	<u>\$ 9,623,420</u>	<u>\$ 1,189,039</u>	<u>\$ 223,407</u>	<u>\$ 10,421,701</u>	<u>\$ 9,350,644</u>	<u>\$ 858,345</u>	<u>\$ 212,712</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL 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	\$ 1,223,617	\$ 1,295,649
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	564,504	466,196
Loss on Disposal of Fixed Assets	-	(1,605)
Debt Issuance Costs Interest	53,353	53,355
Accounts Receivable - (Increase)/Decrease	35,128	127,511
Promises Receivable - (Increase)/Decrease	(208,139)	294,058
Prepaid Expenses - (Increase)/Decrease	14,713	(20,106)
Deposits - (Increase)/Decrease	(1,163)	24,900
Accounts Payable and Accrued Expenses - Increase/(Decrease)	751	(2,828,150)
Payroll and Related Liabilities - Increase/(Decrease)	43,645	73,615
Deferred Revenue - Increase/(Decrease)	13,514	15,196
Deferred Rent Abatement - Increase/(Decrease)	<u>274,623</u>	<u>248,089</u>
Net Cash Flows from Operating Activities	<u>\$ 2,014,546</u>	<u>\$ (251,292)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (1,130,232)	\$ (10,645,759)
Sale of Fixed Assets	<u>-</u>	<u>35,577</u>
Net Cash Flows from Investing Activities	<u>\$ (1,130,232)</u>	<u>\$ (10,610,182)</u>
<u>Cash Flows from Financing Activities:</u>		
Loan Proceeds	\$ -	\$ 12,557,554
Payment for Debt Issuance Costs	-	-
Payments on Financing Lease	<u>-</u>	<u>(42,338)</u>
Net Cash Flows from Financing Activities	<u>\$ -</u>	<u>\$ 12,515,216</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 884,314	\$ 1,653,742
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>4,890,551</u>	<u>3,236,809</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 5,774,865</u>	<u>\$ 4,890,551</u>
<u>Supplemental Disclosures:</u>		
a) Interest in the amount of \$668,967 and \$461,268 was paid during the years ended June 30, 2020 and 2019, respectively.		
b) Income taxes in the amount of \$1,465 were paid during the year ended June 30, 2019.		
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and Cash Equivalents	\$ 5,532,136	\$ 4,649,169
Cash Restricted for Long-Term Purposes	<u>242,729</u>	<u>241,382</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 5,774,865</u>	<u>\$ 4,890,551</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

DC Bilingual Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation, was incorporated in December 2003, exclusively for educational purposes. The Charter School operates as part of the District of Columbia Public School System. The mission of DC Bilingual Public Charter School is to create a learning community that ensures high academic achievement for all students in both Spanish and English, develops leadership, and values all cultures.

School Description

Founded in 2004, DC Bilingual offers an innovative dual immersion Spanish and English learning program for all students, regardless of their home language. Through the Charter School's rigorous academic curriculum, comprehensive arts, technology, and food and wellness programs and celebration of diverse cultures, DC Bilingual students learn the skills and values needed to become influential participants in their community.

DCB's philosophy and teaching model reflect the Charter School's belief that students develop to their full academic potential when they have access to ambitious instruction and a full range of services, differentiated for each student's individualized needs. Our co-teaching model allows instructors to balance direct with small group and 1:1 instruction. Our teachers deliver a unique, dual language immersion model - a form of language instruction that brings together students from all backgrounds to experience learning in both languages, Spanish and English. Throughout the school day, students gain skills, knowledge, and an understanding of academic concepts through communicating in both English and Spanish. DCB complements the Charter School's core curriculum with a vibrant performing and visual arts program, an innovative food and wellness program, access to transformation opportunities, and deep community engagement.

As a result of our programs and practices, the DC Public Charter School Board ranks DC Bilingual a Tier 1 school, among the top performing elementary schools in the city.

Recent accomplishments include the following:

- Named as a "Leveler" school for our exceptional work improving academic outcomes for at-risk students (DC Policy Center, 2019).
- Named an All-STAR school, one of ten in DC public schools city wide, for our students' strong academic growth on the city-wide PARCC assessment (Office of the State Superintendent of Education, 2019).
- Named a "Bold Improvement School," for our commitment and success in helping DC's most at-risk students achieve outstanding academic growth (Empower K12 and Education Reform Now, 2018).
- Ranked in the top 25% of all DC charter schools for our instructional culture (The New Teacher Project, 2018).

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. 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 (GAAP).

(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. 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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

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, special education funding, and a facilities allotment. The Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

Auctions - Gifts-in-Kind

The Charter School held an auction of donated non-cash assets referred to as gifts-in-kind during the year ended June 30, 2020 and 2019. The gifts-in-kind are recognized at fair value at the time of donation. The difference between the amount received for these items from the winning bidder and the fair value of the gifts-in-kind when originally contributed to the Charter School, is adjusted either upwards or downwards to contribution revenue.

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 receivables 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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes:

The Charter School is exempt from federal and district 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. 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)(i)(A)(ii).

The Charter School is also exempt from District of Columbia sales and use tax.

(d) 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:

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.

From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization.

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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

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 programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Community Kitchen	\$ 300,000	\$ -
Food and Wellness	14,653	1,325
Virtual Training	3,875	15,000
Covid Assistance	1,000	-
Expanding Our School Garden	-	1,000
Action for Healthy Kids	-	949
Kids Cook Monday Grant	-	124
Fuel up to Play	-	3,067
Home Visit and Dance Studio	-	31,338
Family Center	-	11,287
Whole Kids	-	700
Piano Project	-	14
Project Produce	-	928
Cafritz	-	50,000
Dodge Family Fund	-	33,600
Family Engagement	-	8,013
Resident Principal Grant	-	<u>35,577</u>
 Total Net Assets Available	 <u>\$ 319,528</u>	 <u>\$ 192,922</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Covid Assistance	\$ 67,315	\$ -
Cafritz	50,000	-
Resident Principal Grant	35,577	89,423
Dodge Family Fund	33,600	61,400
Home Visit and Dance Studio	31,338	25,581
Food and Wellness	24,923	2,105
Family Engagement	19,300	5,737
Teacher and Staff Assistance	18,834	-
Virtual Training	11,125	-
Aftercare Program	10,000	-
Library	5,000	-
Fuel up to Play	3,067	-
Action for Healthy Kids	1,949	-
Expanding Our School Garden	1,000	596
Project Produce	928	1,072
Whole Kids	700	1,300
Kids Cook Monday Grant	124	-
Piano Project	14	2,649
Flamboyant	-	26,118
Renovations	-	271,931
Fight for Children/Joe's Champs	-	14,649
The Nature Conservancy	-	706
Kinder Out of School Time Program	-	25,000
School Video	-	5,000
Charter school Growth Fund	<u>-</u>	<u>100,000</u>
 Total Net Assets Released from Restrictions	 <u>\$ 314,794</u>	 <u>\$ 633,267</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) 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 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. The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Special Event - Gifts in Kind	<u>\$ 5,192</u>	<u>\$ 12,191</u>

(f) 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, food service, student events, transportation 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, other general expense, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

- Certain staff expenses including travel, meetings and development are generally allocated between administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages.
- 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.

(g) 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.

(h) 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.

(i) 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.

(j) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or total net assets from the prior years.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(k) 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.

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

3. PRIOR PERIOD ADJUSTMENT:

The financial statements for the year ended June 30, 2019, have been restated to change the methodology related to the recording of revenues under the Medicaid Program. In previously issued financial statements, the Charter School did not record accounts receivable from the District of Columbia, Department of Health Care Finance for Medicaid program cost reimbursements. Reimbursement cost reports were submitted to the District of Columbia Government; however, payment was not made to the Charter School for a cumulative period of three years. Actual reimbursements are not made until the cost reports are audited by an independent certified public accounting firm. These reimbursements due for the 2017, 2018, and 2019 fiscal years were not received until subsequent to June 30, 2019.

Accounting standards require revenues to be recognized when the amounts can be reasonably estimated and when payment is likely. Although payments were not made by the District of Columbia government in a timely manner, these payments met the requirements to be recognized as revenue in each of the respective fiscal years.

This adjustment increased net assets without donor restrictions and accounts receivable as of July 1, 2019, by an amount of \$246,370. Accounts receivable increased by an amount of \$274,796 as of June 30, 2019. Revenues and changes in unrestricted net assets increased by an amount of \$28,426 for the year ended June 30, 2019. The effect of this change has been reflected in these comparative financial statements for the year ended June 30, 2019.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. 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	\$ 5,774,865	\$ 4,890,551
Accounts Receivable	457,226	492,354
Promises Receivable	<u>383,562</u>	<u>175,423</u>
Total Financial Assets	<u>\$ 6,615,653</u>	<u>\$ 5,558,328</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Contractual Restrictions:		
Cash Restricted for Debt Services	\$ 242,729	\$ 241,382
Accounts Receivable - Beyond One Year	<u>244,252</u>	<u>274,796</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 6,128,672</u>	<u>\$ 5,042,150</u>

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.

5. 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 DC Bilingual Public 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 District and 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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. 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>
Checking Account	\$ 5,519,870	\$ 4,636,913
Savings Account	252,776	251,419
Petty Cash	<u>2,219</u>	<u>2,219</u>
Total	<u>\$ 5,774,865</u>	<u>\$ 4,890,551</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 multiple financial institutions. These checking 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 any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2020 and 2019, \$5,154,628 and \$3,705,291, 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 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.

Cash Restricted for Debt Service

Under the terms of a promissory note with Eagle Bank, the Charter School has established a debt service reserve collateral account with Eagle Bank. This account serves as security for the loan obligations as a security interest is granted to Eagle Bank in this account. This account was established during the year ended June 30, 2018. A minimum deposit of \$238,243 was required to be made to this account upon its opening. Withdrawals or disbursements are not allowed to be made from this account and any earnings on the account must be reinvested into the account. The balance of this account as of June 30, 2020 and 2019 is \$242,729 and \$241,382, respectively.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

Accounts receivable as presented are current and considered to be fully collectible by management. Balances as of June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Accounts Receivable</u>		
Medicaid - School Based Services	\$ 392,941	\$ 432,748
Per Pupil Funding	36,867	31,285
Expense Reimbursements	27,075	157
Student Activity Fees	343	27,825
Employee Receivables	<u>-</u>	<u>339</u>
Total	<u>\$ 457,226</u>	<u>\$ 492,354</u>

The above accounts receivable are due to be received as follows:

	<u>June 30, 2020</u>	<u>As Restated June 30, 2019</u>
Less Than One Year	\$ 212,974	\$ 217,558
One to Five Years	<u>244,252</u>	<u>274,796</u>
Total	<u>\$ 457,226</u>	<u>\$ 492,354</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 throughout the year and at year end.

Accounts receivables 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 the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Trade receivables related to program service fees (activity fees, before and after care, etc.) are recognized as revenue at the time the program activity has occurred. Trade receivables are written off as uncollectible when payment has not been received after 180 days.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable

Contributions are recognized when a 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. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Promises Receivable</u>		
Culinary Gardens, Teaching Kitchen and Food and Wellness Program	\$ 150,000	\$ 28,000
General and School Growth Planning	146,047	5,000
No Child Left Behind - Entitlement Funds	52,838	42,547
Scholarship for Opportunity and Results Act (SOAR)	16,556	-
Fresh Fruits and Vegetables Program	15,121	1,670
School Garden Grant	3,000	10,445
National School Lunch and Breakfast Programs	-	58,245
E-Rate	-	5,525
Healthy Schools Act	-	4,168
Special Education, IDEA Grants to Local Education Agencies	-	2,791
Cafeteria Staff Training Grant	-	<u>17,032</u>
 Total	 <u>\$ 383,562</u>	 <u>\$ 175,423</u>

The above unconditional promises are due to be received within the next 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>
Food and Wellness Program	\$ 300,000
Student Achievement and School Growth	223,750
Cares Grant	161,283
Scholarship for Opportunity and Results Act	<u>2,795</u>
 Total Conditional Promises	 <u>\$ 687,828</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. FIXED ASSETS:

Furniture, equipment and textbooks 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 \$1,000 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 as income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2020 and 2019 was \$564,504 and \$466,196, respectively. Maintenance and repairs are charged to expenses as incurred.

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 Equipment	3-7 Years	\$ 112,282	\$ 61,150	\$ 51,132
Computer Equipment	3-5 Years	279,550	238,886	40,664
Construction in Progress	-	779,125	-	779,125
Leasehold Improvements	Lease Term	<u>15,293,168</u>	<u>920,240</u>	<u>14,372,928</u>
		<u>\$ 16,464,125</u>	<u>\$ 1,220,276</u>	<u>\$ 15,243,849</u>

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 108,125	\$ 50,112	\$ 58,013
Computer Equipment	3-5 Years	248,361	202,871	45,490
Construction in Progress	-	34,500	-	34,500
Leasehold Improvements	Lease Term	<u>14,942,907</u>	<u>402,789</u>	<u>14,540,118</u>
		<u>\$ 15,333,893</u>	<u>\$ 655,772</u>	<u>\$ 14,678,121</u>

9. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. As more fully discussed in Note 15, the DC Bilingual Public Charter School entered into a lease agreement for the rental of a school building located in Washington, DC, for 30 years, commencing on March 12, 2018, and expiring on March 31, 2048. Accordingly, future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2020 and 2019 was \$598,158 and \$323,535, respectively.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. LOAN PAYABLE:

Eagle Bank - Construction Loan

On March 13, 2018, the District of Columbia Bilingual Public Charter School entered into a promissory note with Eagle Bank in the amount of \$14,000,000. This note was for the purpose of renovation and construction of the land and school facility, known as Keene School located at 33 Riggs Road, NE. As of June 30, 2020, the Charter School had borrowed \$14,000,000 on the loan, the full amount. This loan calls for consecutive monthly installments of interest only payments effective April 1, 2018, through March 31, 2021. Commencing April 1, 2021, monthly installments of principal and interest are required until maturity of the loan. This note bears interest at a fixed rate of 4.7% per annum. Principal and interest payments are based on a twenty-five (25) year amortization. Maturity on this loan is scheduled for March 13, 2023, at which point there is a balloon payment of any remaining outstanding principal and unpaid interest. As a provision of this loan, the Charter School is permitted to prepay any portion of the principal balance, however they may be subject to a “breakage fee” equal to two percent (2%) of the principal amount prepaid. After three years, prepayments on the loan may be made with no breakage fee. The Charter School is required to meet certain covenants, but not limited to, maintaining a debt service coverage ratio of at least 1.15 to 1.00. Upon execution of this loan, the Charter School was required to open a Debt Service Reserve Account and deposit a total amount of \$238,243 of which, withdrawals and disbursements can only be made as permitted by Eagle Bank for Debt Service obligations. The balance of this cash account as of June 30, 2020 and 2019 is \$242,729 and \$241,382, respectively. This loan is secured by the leasehold interest in the real estate located at 33 Riggs Road NE, Washington, DC, improvements to the real estate, fixtures, all profits and revenues including the Per Pupil Funding from the District of Columbia. Eagle Bank’s security interest was recorded as the first deed of trust. Interest expense for the year ended June 30, 2019, in the amount of \$21,897 has been capitalized as part of construction in progress. Interest expense in the amount of \$668,967 and \$494,286 is reflected in the statement of activities for the years ended June 30, 2020 and 2019, respectively. The balance of this note at June 30, 2020 and 2019 was \$14,000,000. Future minimum required payments of principal on this loan for the next three years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2021	\$ 74,032
2022	304,966
2023	<u>13,621,002</u>
Total	<u>\$ 14,000,000</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. LOAN PAYABLE: (Continued)

Debt Issuance Costs

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs in the amount of \$8,892 was capitalized as part of construction in progress during the year ended June 30, 2019. Amortization of debt issuance costs in the amount of \$53,353 and \$44,461 was expensed as interest expense for the years ended June 30, 2020 and 2019, respectively. Long-term debt at June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Notes Payable	\$ 14,000,000	\$ 14,000,000
Less: Unamortized Debt Issuance Costs	<u>(142,275)</u>	<u>(195,628)</u>
Total	<u>\$ 13,857,725</u>	<u>\$ 13,804,372</u>

11. 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 8, 2004, provides for a 15-year charter effective the date of first operation. On January 28, 2019, the DCPCSB voted to approve the DC Bilingual Public Charter School's renewal application and renew the school for a second fifteen-year term. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the DC Bilingual charter every five years, with the next review scheduled for 2023/2024. 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 \$104,678 and \$100,315, respectively, in administrative fees.

The charter contract provides that the Charter School may initially 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 500 students. Audit enrollment for the 2020/2019 year was 453 students and audit enrollment for the 2018/2019 year was 444 students.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. 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 allotments. 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 ranged from \$10,980 to \$14,713 for the educational allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the educational allotment and \$3,263 for the facility allotment. 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>
Pre-K - Grade 5	\$ 5,498,117	\$ 5,224,338
Special Education	1,274,990	1,206,938
English as a Second Language	995,337	1,007,927
At Risk Students	254,468	284,099
Facilities Allotment	1,510,755	1,448,772
One-Time Payment	<u>88,420</u>	<u>-</u>
Total	<u>\$ 9,622,087</u>	<u>\$ 9,172,074</u>

13. CONTRIBUTIONS - FEDERAL AWARDS:

During the years ended June 30, 2020 and 2019, the Charter School participated in the following award programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
National School Lunch and Breakfast Programs	\$ 197,493	\$ 250,595
No Child Left Behind - Entitlement Funds	294,182	273,957
Scholarship for Opportunity and Results Act (SOAR)	612,389	666,855
Special Education, IDEA, Grants to Local Education Agencies	78,739	86,144
NSLP Equipment Assistance Grant	<u>-</u>	<u>13,602</u>
Total	<u>\$ 1,182,803</u>	<u>\$ 1,291,153</u>

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding, but rather, provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education (OSSE). The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. LEASE COMMITMENTS:

Building Lease

In June 2015, The Charter School entered into a license to occupy agreement with the District of Columbia to provide a Public Charter School on the premises at 33 Riggs Road, NE. The terms of this agreement were for a one-year term commencing on July 1, 2015, and expiring June 30, 2016. This agreement was extended for an additional one-year term expiring June 30, 2017. On June 29, 2017, the Charter School signed an amendment to the lease which extended the lease term to March 12, 2018, the date on which the long-term ground lease for the building occurred. The amendment to the lease called for monthly payments of \$16,950 until this amended lease ended on March 12, 2018.

On March 12, 2018, the Charter School signed a new lease agreement with the District of Columbia for the land and school building located at 33-35 Riggs Road, NE, Washington, DC. The Charter School is completing a construction project for improvements to the school building. The lease is for a period of 30 years. The monthly rent payments began on March 12, 2018, at a monthly amount of \$16,133. This payment continued until the rent adjustment date on September 1, 2018. This rent adjustment date was the earlier of two years from the beginning of the lease or the date construction was completed. On the rent adjustment date, the monthly rental payment increased to \$48,833. This monthly rental payment then increases by 2% annually over the life of the lease. The lease agreement also adjusts the rent payments for the approved amount of renovation costs once the construction was completed on the school building. The schedule below reflects an abatement of construction costs in the amount of \$15,586,279. Future required minimum rental lease payments with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Cash Payment</u>
2021	\$ 259,605	\$ (259,605)	\$ -
2022	259,605	(259,605)	-
2023	259,605	(259,605)	-
2024	259,605	(259,605)	-
2025	259,605	(259,605)	-
Thereafter	<u>5,891,958</u>	<u>1,896,183</u>	<u>7,788,141</u>
Total Future Minimum Lease Payments	<u>\$ 7,189,983</u>	<u>\$ 598,158</u>	<u>\$ 7,788,141</u>

Operating Lease - Photocopiers

The Charter School entered into an operating lease with Cannon Financial for the rental of 3 imageRunner Advance C7570i photocopiers. This operating lease term is for sixty (60) months, with monthly lease payments of \$1,565 for the lease. Equipment rental expense totaled \$18,775 and \$6,258 for the years ending June 30, 2020 and 2019, respectively.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. LEASE COMMITMENTS: (Continued)

Operating Lease - Photocopiers (Continued)

Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2021	\$ 18,775
2022	18,775
2023	18,775
2024	<u>12,516</u>
Total	<u>\$ 68,841</u>

15. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia (DC) based on the number of students they enroll according to the Uniform Per Student Funding Formula. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2020 and 2019, seventy-eight (78%) of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives District and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education), as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

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.

16. CONTINGENCIES:

The Charter School was granted its 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.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. CONTINGENCIES: (Continued)

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 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.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administrations of the District of Columbia Government. 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.

17. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 10, 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.

18. RELATED PARTY TRANSACTIONS:

Contributions

Various board members and employees of the Charter School, organizations for which they are affiliated, and relatives of board members gave contributions to the Charter School in the amount of \$18,293 and \$44,701, respectively, during the years ended June 30, 2020 and 2019.

Board Members

Some of the board members have children that are currently enrolled in the DC Bilingual Public Charter School.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

19. FUNDRAISING:

During the years ended June 30, 2020 and 2019, expenses incurred for the purpose of fundraising were \$223,407 and \$212,712, respectively.

20. RETIREMENT PLAN:

The Charter School provides pension benefits for its employees through a qualified defined contribution 401(k) retirement plan administered by a third party. All employees, including part-time employees working at least twenty hours per week are eligible to participate in the Plan. The Charter School contributes, at its discretion, an amount up to 3% of eligible compensation for employees who successfully complete the orientation period. Employer contributions for the years ended June 30, 2020 and 2019 totaled \$151,191 and \$145,453, respectively.

21. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe 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	\$ 432,324	\$ 392,589
Health Insurance	214,464	223,691
Retirement	151,191	145,453
Life and Disability Insurance	30,561	25,079
Unemployment	20,929	20,625
Worker's Compensation	27,018	23,534
Universal Paid Leave	<u>36,731</u>	<u>11,340</u>
Total	<u>\$ 913,218</u>	<u>\$ 842,311</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/19</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/20</u>
						<u>Receipts</u>	<u>Disbursements Expenditures</u>	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Special Education Cluster:								
Special Education - Grants to States (IDEA, Part B)	84.027A	A2027A	\$ 76,993	07/01/19 to 09/30/20	\$ -	\$ 76,993	\$ 76,993	\$ -
Special Education - Grants to States (IDEA, Part B)	84.027A	92027A	\$ 81,455	07/01/18 to 09/30/19	2,791	3,144	353	-
Special Education - Preschool Grants (IDEA Preschool)	84.173A	A2173A	\$ 1,393	07/01/19 to 09/30/20	-	1,393	1,393	-
Total Special Education Cluster					\$ 2,791	\$ 81,530	\$ 78,739	\$ -
Title I, Part A, Grants to Local Educational Agencies	84.010A	84010A	\$ 194,015	07/01/19 to 09/30/20	\$ -	\$ 194,015	\$ 194,015	\$ -
Title I, Part A, Grants to Local Educational Agencies	84.010A	92010A	\$ 200,525	07/01/18 to 09/30/19	29,854	36,940	7,086	-
Title II, Part A, Improving Teacher Quality State Grants	84.367A	84367A	\$ 43,281	07/01/19 to 09/30/20	-	36,882	43,281	6,399
Title II, Part A, Improving Teacher Quality State Grants	84.367A	92367A	\$ 40,437	07/01/18 to 09/30/19	5,909	7,310	1,401	-
Title III, Part A, English Language Acquisition State Grants	84.365A	84365A	\$ 23,295	07/01/19 to 09/30/20	-	147	23,295	23,148
Title III, Part A, English Language Acquisition State Grants	84.365A	92365A	\$ 24,104	07/01/18 to 09/30/19	3,589	4,449	860	-
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	84424A	\$ 23,486	07/01/19 to 09/30/20	-	195	23,486	23,291
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	92424A	\$ 21,464	07/01/18 to 09/30/19	3,195	3,954	759	-
DC Opportunity Scholarship Program	84.370C	CHOICE (U370C190001)	\$ 107,501	08/16/19 to 08/15/20	-	103,945	104,706	761
DC Opportunity Scholarship Program	84.370C	CHOICE (U370C190001)	\$ 507,683	10/01/19 to 09/30/20	-	491,888	507,683	15,795
Total U.S. Department of Education					\$ 45,338	\$ 961,255	\$ 985,311	\$ 69,394
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/19 to 06/30/20	\$ -	\$ 27,971	\$ 27,971	\$ -
School Breakfast Program	10.553	N/A	N/A	07/01/18 to 06/30/19	11,550	11,550	-	-
National School Lunch Program	10.555	N/A	N/A	07/01/19 to 06/30/20	-	113,327	113,327	-
National School Lunch Program	10.555	N/A	N/A	07/01/18 to 06/30/19	46,695	46,695	-	-
Donated Commodities	10.555	N/A	\$ 19,093	07/01/19 to 06/30/20	-	19,093	19,093	-
Total Child Nutrition Cluster					\$ 58,245	\$ 218,636	\$ 160,391	\$ -
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/19 to 06/30/20	\$ -	\$ 21,980	\$ 37,101	\$ 15,121
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/18 to 06/30/19	1,670	1,670	-	-
Total U.S. Department of Agriculture					\$ 59,915	\$ 242,286	\$ 197,492	\$ 15,121
Total Federal Awards					\$ 105,253	\$ 1,203,541	\$ 1,182,803	\$ 84,515

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 77,346
Special Education - Preschool Grants (IDEA Preschool)	84.173A	1,393
Title I, Part A, Grants to Local Educational Agencies	84.010A	201,101
Title II, Part A, Improving Teacher Quality State Grants	84.367A	44,682
Title III, Part A, English Language Acquisition State Grants	84.365A	24,155
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	24,245
DC Opportunity Scholarship Program	84.370C	612,389
School Breakfast Program	10.553	27,971
National School Lunch Program	10.555	113,327
Donated Commodities	10.555	19,093
Fresh Fruit and Vegetable Program	10.582	<u>37,101</u>
 Total Federal Awards		 <u>\$ 1,182,803</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Basis of Presentation:

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

Note 2 - Summary of Significant Accounting Policies:

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

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

Note 3 - Food Commodities:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 4 - Pass-Through Funds:

The Charter School did not pass through any federal funds to subrecipients.

Note 5 - Major Program Selection:

The major Federal Award Program selected for testing is as follows:

U.S. Department of Education

- DC Opportunity Scholarship Program

The requirements of the Office of Management and Budget Uniform Guidance require all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and/or compliance testing. For the DC Bilingual Public Charter School, the program subject to these requirements is as listed above. The total expenditures of this program represent 51.77% of the total federal expenditures.

DC BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Note 5 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 77,346
Special Education - Preschool Grants (IDEA Preschool)	84.173A	1,393
Title I, Part A, Grants to Local Educational Agencies	84.010A	201,101
Title II, Part A, Improving Teacher Quality State Grants	84.367A	44,682
Title III, Part A, English Language Acquisition State Grants	84.365A	24,155
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	24,245
DC Opportunity Scholarship Program	84.370C	612,389*
School Breakfast Program	10.553	27,971
National School Lunch Program	10.555	113,327
Donated Commodities	10.555	19,093
Fresh Fruit and Vegetable Program	10.582	<u>37,101</u>
Total Federal Awards		<u>\$ 1,182,803</u>

* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Education

1) DC Opportunity Scholarship Program

Scholarships for Opportunity and Results (SOAR) Act - Increasing Academic Quality

The purpose of the Scholarship for Opportunity and Results (SOAR) Act grant is to improve school performance and educational outcomes.

Scholarships for Opportunity and Results (SOAR) Act - Public Facilities

The purpose of this funding program is to provide high -quality public charter schools with funds to renovate facilities that are occupied by charter schools. Grant-funded projects must 1) increase the total number of seats available at a high-quality charter school, or 2) increase the quality of existing seats at a high-quality charter school.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
DC Bilingual Public Charter School
33 Riggs Road, NE
Washington, DC 20011

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 DC Bilingual 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 10, 2020.

Internal Control Over Financial Reporting

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

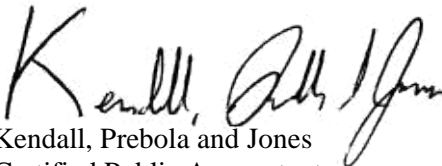
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 DC Bilingual 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 Charter 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 Charter School'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 10, 2020

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Trustees
DC Bilingual Public Charter School
33 Riggs Road, NE
Washington, DC 20011

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

Report on Compliance for Each Major Federal Program

We have audited the DC Bilingual Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DC Bilingual Public Charter School's major federal programs for the year ended June 30, 2020. The DC Bilingual Public Charter 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 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 DC Bilingual Public Charter 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 DC Bilingual Public Charter 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 DC Bilingual Public Charter School's compliance.

Opinion on Each Major Federal Award Program

In our opinion, the DC Bilingual Public Charter 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.

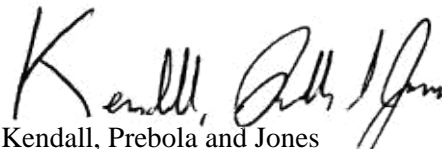
Report on Internal Control Over Compliance

Management of the DC Bilingual Public Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the DC Bilingual Public Charter 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 DC Bilingual Public Charter School's internal control over compliance.

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

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

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 10, 2020

DC BILINGUAL PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

2019-001 U.S. Department of Education – DC School Choice Incentive Program - CFDA# 84.370C

Criteria and Condition: Non-federal organizations are prohibited from contracting with or making subawards to parties that are debarred or whose principals are suspended or debarred from performing under a federal award. When a non-federal organization enters into a contract with a party for goods or services in an amount greater than \$25,000, or enters into a subrecipient agreement irrespective of the award amount, the organization must verify that the entity and its principals are not suspended or debarred or otherwise excluded from participating in a federal award. The DC Bilingual Public Charter School did not fully comply with the requirements as it relates to "Debarred and Suspended Parties."

Questioned Costs \$ 0

Context: During the year ended June 30, 2019, the DC Bilingual Public Charter School entered into a contract for services where federal funds were utilized for the payment of such services. The Charter School did not utilize recommended procedures to ensure that the subcontractor was eligible for contracting in the federal award program. An audit sample of one (1) subcontractor was selected to verify that the subcontractor certified that they were not debarred or suspended from working on a federal program. Evidence did not exist for the subcontractor indicating they were not debarred or suspended during the year ended.

Status: This finding was not reported in the current year.

DC BILINGUAL PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the DC Bilingual 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 DC Bilingual Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies in internal control relating to the audit of the major federal award programs have been reported.
- e. The Auditor's report on compliance for the major federal award programs for the DC Bilingual Public Charter School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with the Uniform Guidance in the schedule of findings and questioned costs.
- g. The major program of the DC Bilingual Public Charter School is as follows:

<u>Program</u>	<u>CFDA #</u>
DC Opportunity Scholarship Program	84.370C

- h. The dollar threshold utilized to determine Type A programs was \$750,000.
- i. The DC Bilingual Public Charter School did not qualify as a low-risk auditee.

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

None.

III. Findings relating to federal awards, which are required to be reported in accordance with the *Uniform Guidance*

None.

DC BILINGUAL 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>
Advantage Environmental Consultants, LLC	Water Testing and Mitigation	\$ 35,296	no
Amazon	Supplies	46,430	no
Andrea Battaglia	Food Service Vendor	35,303	no
Behavioral and Educational Solutions P.C.	Contracted Special Education Services	130,433	no
Carefirst	Insurance	435,131	no
CDW Government	Technology Devices	30,290	no
Coastal Sunbelt Produce	Food Service Vendor	60,866	no
DC Public Charter School Board	Authorizer	104,677	no
Dominion	Utility	25,017	no
Eagle Bank	Interest on Loan	670,615	no
EDOPS	Contracted Financial and HR Services	210,066	no
Elevate	Fundraising Consultant	33,600	no
Hord Coplan Macht, Inc.	Construction Project Management	704,257	no
John Breyer	Contracted CFO and Construction Manager	140,000	no
John Breyer - ER	Reimbursements	33,748	no
Kendall, Prebola and Jones, LLC	Auditors	26,811	no
Konica Minolta Business Solutions	Copier Lease	31,786	no
MCN Build, LLC	Construction	310,222	no
PayChex	Payroll and HRIS Services	26,901	no
Pepco	Utility	97,315	no
Philadelphia Insurance Companies	Insurance	40,634	no
PMM Companies	Cleaning and Porter Services	265,709	no
Pro-Air	HVAC Repairs and Maintenance	32,319	no
Reliance Standard Life Insurance Company	Insurance	30,561	no
Sterling Speech Associates, LLC	Contracted Special Education Services	159,847	no
SYSCO Baltimore	Food Service Vendor	86,616	no
The Hartford	Insurance	27,025	no
United Business Technologies	Copier Lease	25,063	no
Urban Teacher Center	Contracted Instruction	48,800	no
Young & Well	Contracted Special Education Services	179,096	no