



**D.C. PREPARATORY ACADEMY
AND DC PREP SUPPORT CORPORATION**

**Consolidated Financial Statements and
Supplementary Information**

For the Years Ended June 30, 2020 and 2019



**and
Report Thereon**



**Reports Required in Accordance with the
Uniform Guidance**

For the Year Ended June 30, 2020



**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

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For the Years Ended June 30, 2020 and 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
D.C. Preparatory Academy and
DC Prep Support Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of D.C. Preparatory Academy and its subsidiary, DC Prep Support Corporation (DC Prep Support Corp) (collectively referred to as DC Prep), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Continued

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of D.C. Preparatory Academy and its subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 and 28 and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (supplementary information) is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Required Regulatory Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of vendor contracts \$25,000 and above on page 37 is presented for the purposes for additional analysis and is not a required part of the financial statements. Such information, although not a part of the financial statements, is required by the DC Public Charter School Board and has not been subjected to the auditing procedures applied in the audit of the financial statements. 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 October 29, 2020, on our consideration of DC Prep'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 DC Prep'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 DC Prep's internal control over financial reporting and compliance.

Marcum LLP

Washington, D.C.
October 29, 2020

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 19,898,962	\$ 16,247,970
Grants and contributions receivable	3,149,395	1,836,764
Accounts receivable	609,677	287,344
Prepaid expenses	<u>322,986</u>	<u>363,066</u>
Total Current Assets	<u>23,981,020</u>	<u>18,735,144</u>
Restricted cash – reserve financing funds	3,626,380	3,259,274
Grants and contributions receivable, net	242,351	146,306
Deposits	234,788	247,144
Notes receivable	1,014,100	1,014,100
Fixed assets		
Land	4,249,945	2,902,620
Buildings and improvements	40,630,888	40,543,720
Leasehold improvements	26,835,046	26,835,046
Furniture, fixtures and equipment	<u>4,045,843</u>	<u>3,438,588</u>
Total Fixed Assets	75,761,722	73,719,973
Less: Accumulated Depreciation and Amortization	<u>(17,415,888)</u>	<u>(14,981,197)</u>
Fixed Assets, Net	<u>58,345,834</u>	<u>58,738,776</u>
TOTAL ASSETS	<u>\$ 87,444,473</u>	<u>\$ 82,140,744</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,395,418	\$ 1,019,435
Accrued payroll and benefits	2,046,435	1,415,124
Interest rate swaps liability	424,855	-
Deferred revenue	33,745	33,745
Notes payable, current portion	<u>565,000</u>	<u>1,540,000</u>
Total Current Liabilities	4,465,453	4,008,304
Notes payable, net of current portion	<u>61,528,810</u>	<u>62,547,385</u>
TOTAL LIABILITIES	<u>65,994,263</u>	<u>66,555,689</u>
NET ASSETS		
Without donor restrictions	19,444,870	14,787,378
With donor restrictions	<u>2,005,340</u>	<u>797,677</u>
TOTAL NET ASSETS	<u>21,450,210</u>	<u>15,585,055</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 87,444,473</u>	<u>\$ 82,140,744</u>

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

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Per pupil allocation	\$ 41,200,463	\$ -	\$ 41,200,463	\$ 37,399,024	\$ -	\$ 37,399,024
Private grants and contributions	2,286,683	1,917,863	4,204,546	835,057	556,382	1,391,439
Federal grants	1,551,966	-	1,551,966	1,850,798	-	1,850,798
Federal entitlements	1,456,406	-	1,456,406	1,706,375	-	1,706,375
Local government grants and program revenue	418,640	-	418,640	633,126	-	633,126
Other revenue	194,896	-	194,896	329,451	-	329,451
In-kind donations	90,901	-	90,901	214,857	-	214,857
Interest income	213,116	-	213,116	320,633	-	320,633
Net assets released from restriction:						
Satisfaction of time restrictions	223,539	(223,539)	-	514,462	(514,462)	-
Satisfaction of program restrictions	486,661	(486,661)	-	411,753	(411,753)	-
TOTAL REVENUE AND SUPPORT	48,123,271	1,207,663	49,330,934	44,215,536	(369,833)	43,845,703
EXPENSES						
Program Services	36,549,900	-	36,549,900	36,253,569	-	36,253,569
Supporting Services:						
Management and general	6,242,319	-	6,242,319	6,336,721	-	6,336,721
Development and fundraising	248,705	-	248,705	293,822	-	293,822
Total Supporting Services	6,491,024	-	6,491,024	6,630,543	-	6,630,543
TOTAL EXPENSES	43,040,924	-	43,040,924	42,884,112	-	42,884,112
Change in net assets before unrealized loss on interest rate swaps	5,082,347	1,207,663	6,290,010	1,331,424	(369,833)	961,591
Unrealized loss on interest rate swaps	(424,855)	-	(424,855)	(22,354)	-	(22,354)
CHANGE IN NET ASSETS	4,657,492	1,207,663	5,865,155	1,309,070	(369,833)	939,237
NET ASSETS, BEGINNING OF YEAR	14,787,378	797,677	15,585,055	13,478,308	1,167,510	14,645,818
NET ASSETS, END OF YEAR	\$ 19,444,870	\$ 2,005,340	\$ 21,450,210	\$ 14,787,378	\$ 797,677	\$ 15,585,055

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

**D.C. PREPARATORY ACADEMY
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**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019**

	2020				2019			
	Programs	Management and General	Development and Fundraising	Total	Programs	Management and General	Development and Fundraising	Total
Personnel, Salaries and Benefits:								
Salaries	\$ 21,213,700	\$ 3,497,667	\$ 92,118	\$ 24,803,485	\$ 20,700,936	\$ 3,663,116	\$ 124,695	\$ 24,488,747
Employee benefits	2,159,648	318,071	7,648	2,485,367	2,127,538	377,950	12,924	2,518,412
Payroll taxes	1,720,507	280,468	7,336	2,008,311	1,611,219	275,017	9,107	1,895,343
Other staff-related expense	291,579	95,699	3,508	390,786	315,324	88,524	3,845	407,693
Professional development	401,483	167,938	6,488	575,909	237,997	177,436	9,385	424,818
Total Personnel, Salaries and Benefits	25,786,917	4,359,843	117,098	30,263,858	24,993,014	4,582,043	159,956	29,735,013
Direct Student Costs:								
Student food service program	812,319	-	-	812,319	1,076,562	-	-	1,076,562
Contracted instruction fees	1,056,202	-	-	1,056,202	1,458,794	-	-	1,458,794
Supplies, materials and snacks	381,559	-	-	381,559	378,036	-	-	378,036
Fieldwork and other transportation	90,911	-	-	90,911	213,247	-	-	213,247
Student assessments	197,347	-	-	197,347	185,360	-	-	185,360
Other student costs	160,767	-	-	160,767	132,567	-	-	132,567
Textbooks	82,894	-	-	82,894	62,861	-	-	62,861
Total Direct Student Costs	2,781,999	-	-	2,781,999	3,507,427	-	-	3,507,427
Occupancy Expenses:								
Interest	2,564,470	4,227	1,409	2,570,106	2,546,180	10,948	1,673	2,558,801
Contracted building services	930,202	6,208	2,069	938,479	836,688	5,588	1,863	844,139
Rent	2,111	34,813	11,604	48,528	17	27,159	9,054	36,230
Utilities and garbage removal	550,116	4,164	1,388	555,668	576,136	3,847	1,282	581,265
Facilities finance fees	405,170	4,910	1,637	411,717	411,766	5,264	1,755	418,785
Maintenance and repairs	212,804	2,905	968	216,677	194,426	1,326	442	196,194
Facilities consulting services	-	6,517	-	6,517	-	5,875	-	5,875
Janitorial supplies	140,509	4,107	1,369	145,985	6,901	63	21	6,985
Total Occupancy Expenses	4,805,382	67,851	20,444	4,893,677	4,572,114	60,070	16,090	4,648,274

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

Continued

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019**

(continued)

	2020				2019			
	Programs	Management and General	Development and Fundraising	Total	Programs	Management and General	Development and Fundraising	Total
Office Expenses:								
Office supplies	\$ 160,927	\$ 34,484	\$ 34,484	\$ 229,895	\$ 186,570	\$ 39,979	\$ 39,979	\$ 266,528
Telecommunications	114,226	24,477	24,477	163,180	123,054	26,369	26,369	175,792
Computer support expenses	165,634	27,554	731	193,919	140,780	24,941	850	166,571
Equipment rent and maintenance	65,676	14,073	14,073	93,822	72,749	15,589	15,589	103,927
Printing and copying	19,059	4,084	4,084	27,227	20,429	4,378	4,378	29,185
Postage	12,453	2,669	2,669	17,791	12,090	2,591	2,591	17,272
Total Office Expenses	537,975	107,341	80,518	725,834	555,672	113,847	89,756	759,275
General Expenses:								
Accounting, auditing and payroll	-	518,792	-	518,792	-	521,677	-	521,677
Authorizer fees	-	402,638	-	402,638	-	376,806	-	376,806
Other general expenses	132,807	250,080	-	382,887	116,701	257,537	-	374,238
Insurance	177,224	29,482	782	207,488	173,870	30,803	1,050	205,723
Legal fees	19,080	222,412	-	241,492	19,667	148,650	-	168,317
Dues, fees, licenses and fines	14,094	64,953	-	79,047	19,938	81,260	5	101,203
Other professional and fundraising fees	-	82,443	26,078	108,521	-	1,998	23,191	25,189
Total General Expenses	343,205	1,570,800	26,860	1,940,865	330,176	1,418,731	24,246	1,773,153
Depreciation and amortization	2,294,422	136,484	3,785	2,434,691	2,295,166	162,030	3,774	2,460,970
TOTAL EXPENSES	\$ 36,549,900	\$ 6,242,319	\$ 248,705	\$ 43,040,924	\$ 36,253,569	\$ 6,336,721	\$ 293,822	\$ 42,884,112

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

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,865,155	\$ 939,237
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,434,691	2,460,970
Amortization of deferred financing costs	216,764	206,466
Imputed interest on notes payable	79,661	64,460
Change in value of interest rate swaps	424,855	22,354
Forgiveness of debt	(750,000)	-
Changes in assets and liabilities:		
Grants and contributions receivable	(1,408,676)	20,325
Accounts receivable	(322,333)	(1,118,853)
Prepaid expenses	40,080	1,885
Deposits	12,356	(11,542)
Accounts payable and accrued expenses	375,983	90,191
Accrued payroll and benefits	631,311	(52,710)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,599,847	2,622,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets, including construction costs	(2,041,749)	(296,292)
NET CASH USED IN INVESTING ACTIVITIES	(2,041,749)	(296,292)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(1,540,000)	(515,000)
NET CASH USED IN FINANCING ACTIVITIES	(1,540,000)	(515,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,018,098	1,811,491
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,507,244	17,695,753
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 23,525,342	\$ 19,507,244
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	\$ 19,898,962	\$ 16,247,970
Restricted cash – reserve financing funds	3,626,380	3,259,274
TOTAL CASH AND CASH EQUIVALENTS	\$ 23,525,342	\$ 19,507,244
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 2,278,416	\$ 2,276,881
NONCASH TRANSACTIONS		
Noncash financing activities:		
Forgiveness of debt	\$ 750,000	\$ -

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

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

1. Organization and Summary of Significant Accounting Policies

Organization

D.C. Preparatory Academy was incorporated as a District of Columbia (D.C.) charter school in 2001 to provide middle school students in Washington, D.C., with an outstanding education emphasizing academics, character and leadership. D.C. Preparatory Academy has expanded to five schools – Edgewood Middle, Edgewood Elementary, Benning Middle, Benning Elementary and Anacostia Elementary. Since its inception, D.C. Preparatory Academy’s revenue and other support has consisted primarily of per pupil funding, contributions and grants from the District of Columbia, and federal and private sources.

In June 2017, D.C. Preparatory Academy formed a wholly controlled support corporation, DC Prep Support Corporation (DC Prep Support Corp), a D.C. non-profit corporation. DC Prep Support Corp was established as part of a New Markets Tax Credit (NMTC) financing transaction for the Anacostia Elementary campus to act as a leverage lender, facilitating D.C. Preparatory Academy’s ability to participate in that program. All transactions of DC Prep Support Corp are consolidated with the transactions of D.C. Preparatory Academy in the accompanying consolidated financial statements.

Principles of Consolidation

The consolidated financial statements of D.C. Preparatory Academy and DC Prep Support Corp (collectively known as DC Prep) have been prepared on the accrual basis of accounting. The organizations are consolidated due to the presence of control and an economic interest, per accounting principles generally accepted in the United States of America (GAAP). All intercompany transactions and balances are eliminated in consolidation.

Basis of Accounting

DC Prep prepares its consolidated financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, money market funds and U.S. Treasury securities with maturities of less than 90 days. Under the terms of certain note payable agreements, DC Prep is required to maintain cash balances restricted for debt service reserves and sinking funds. This restricted cash is separately reported in the accompanying consolidated statements of financial position.

Accounts Receivable

Accounts receivable are primarily from the District of Columbia to pay for the academic services and other historically reliable private parties. DC Prep uses the allowance method to record potentially uncollectible accounts. Management believes that all accounts receivable are fully collectible. Therefore, no allowance is deemed necessary.

**D.C. PREPARATORY ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Fixed Assets and Related Depreciation and Amortization

Land, buildings, building improvements, furniture, leasehold improvements, fixtures and equipment, and construction in progress are recorded at cost. It is DC Prep's policy to capitalize all individual purchases of fixed assets of \$2,500 (\$5,000 if acquired in bulk) and above and with a useful of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 39 years for the buildings and improvements and three to five years for furniture, fixtures and equipment. Leasehold improvements are amortized using the straight-line method over the remaining life of the lease. Construction in progress is not depreciated until the construction is completed and the asset is placed in service. Expenditures for major repairs and improvements are capitalized, while expenditures for minor repairs and maintenance costs are expensed when incurred.

Impairment of Long-Lived Assets

DC Prep reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the years ended June 30, 2020 and 2019.

Classification of Net Assets

The net assets of DC Prep are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of DC Prep at the discretion of DC Prep's management and the Board of Directors (the Board).
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions are temporary in nature in that they will be met by actions of DC Prep or by the passage of time.

Revenue Recognition

Per pupil funding represents the per pupil student allocation and facility allowance from the District of Columbia to pay for the academic services of the students attending DC Prep. Revenue is recognized over the course of the school year as academic services are provided to students.

Federal grants and entitlements are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as contributions when the conditions are met. Revenue recognized on federal grants and entitlements for which billings have not been presented to or collected from the awarding agency is included in receivables in the accompanying statements of financial position. The expenditures under these grants are subject to review by the granting authority. Payments received before services are provided and costs are incurred are reflected as deferred revenue in the accompanying consolidated statements of financial position.

Continued

**D.C. PREPARATORY ACADEMY
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Unconditional grants that are received and spent in the same year are included as grants and contributions without donor restrictions in the accompanying statements of activities.

Unconditional grants and contributions are recognized as revenue and support in the accounting period in which they are received or when an unconditional promise to give is made. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Unconditional contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as grants and contributions with donor restrictions in the accompanying statements of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restriction. Grants or contributions that have been committed to DC Prep, but have not been received as of year-end, are reflected as receivables in the accompanying consolidated statements of financial position.

In-kind donations reflect professional consulting and other services that have been contributed to DC Prep. These services include professional development and legal services. Donated professional services are valued at their estimated fair value based on the type of professional services provided. These services are recognized as both revenue and expense if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. Donated services are valued at a cost consistent with amounts paid for similar services by DC Prep or at the services' estimated fair value.

Other revenue consists of fees for school activities and clubs, services and student meals provided to students and is recognized at the point in time the services are provided.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Expenses directly attributed to a specific functional area of DC Prep are reported as expenses of

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates of how such costs have benefited those programs and supporting services. DC Prep allocates costs that do not fall wholly into a functional category by several schemas, using the schema most appropriate for such cost. DC Prep allocates personnel costs by the time a staff member works in a given area during the year. Costs related to facilities are generally allocated proportionally to the areas devoted to activities, while other costs are allocated by salary ratios or estimated by prior years' experience.

Deferred Financing Costs

Deferred financing costs represent legal costs and other fees associated with DC Prep's bond issuances and NMTC financings and are presented as a reduction to the carrying amount of the related debt liability.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. DC Prep adopted ASU 2014-09 and related amendments on July 1, 2019, using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. DC Prep adopted the standard retrospectively and has adjusted the presentation of these statements accordingly.

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1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. DC Prep adopted ASU 2018-08 as of July 1, 2019, and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for DC Prep grants and contributions.

2. Grants and Contributions Receivable

Grants and contributions receivable consist of unconditional promises to give made by individuals, foundations and the federal government as of June 30, 2020 and 2019. DC Prep has not recorded an allowance for uncollectible accounts, as management believes all amounts are fully collectible. Grants and contributions receivable are due as follows:

	2020	2019
Due in less than one year	\$ 3,149,395	\$ 1,836,764
Due in one to five years	250,000	150,000
Total Grants and Contributions Receivable	3,399,395	1,986,764
Less: Present Value Discount	(7,649)	(3,794)
Grants and Contributions Receivable, Net	\$ 3,391,746	\$ 1,983,070

Discount rates between 1% and 1.9% were used to calculate the net present value of multiyear grants and contributions, depending on the year of each gift.

As of June 30, 2020 and 2019, DC Prep's conditional grants from funders totaled \$2,392,820 and \$36,750, respectively. The grants will be paid and recognized as revenue if DC Prep meets certain milestones, satisfies certain criteria or when qualifying expenditures have been incurred.

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3. Notes Payable

In June 2005, D.C. issued \$5,500,000 of tax-exempt variable rate demand revenue bonds (the Series 2005 Bonds), the proceeds of which were loaned to DC Prep. DC Prep is required to make deposits into a sinking fund, which is used for redemption of the Series 2005 Bonds. The sinking fund is to be held in a trust and invested in money market funds. Principal payments are funded through the sinking fund, payable every first business day in June, and commenced in the fiscal year ended June 30, 2008, starting at \$120,000. The payments increase each year to a final payment of \$360,000 in 2032. Interest is payable monthly and is calculated on a floating seven-day rate currently based on the Bond Market Association (BMA) Index. The average interest rate was approximately 1.42% and 1.65% during the years ended June 30, 2020 and 2019, respectively. The bond proceeds were used in part to repay the outstanding notes payable used to finance the purchase and initial renovation of DC Prep's first middle school building. The outstanding balance on this loan was \$3,400,000 and \$3,610,000 as of June 30, 2020 and 2019, respectively.

In June 2007, DC issued \$9,580,000 of tax-exempt variable rate demand revenue bonds (the Series 2007 Bonds) and loaned the proceeds to DC Prep to refinance a loan to fund the acquisition of a building and renovation of a new preschool and elementary school. The building is adjacent to DC Prep's first middle school building. The Series 2007 Bonds required interest-only payments for two years, depending on construction periods. The Series 2007 Bonds then began amortizing, with an optional redemption over 25 years. DC Prep is required to make deposits into a sinking fund, which is used for redemption of the Series 2007 Bonds. The first sinking fund payment for principal was made in November 2008. The sinking fund is to be held in a trust and invested in money market funds. The first payment to bond holders was made in November 2009 for \$210,000. The payments increase each year through November 2033 to a final payment of \$630,000. Interest is payable monthly and is calculated on a floating seven-day rate currently based on the BMA Index. The average interest rate was approximately 1.43% and 1.65% during the years ended June 30, 2020 and 2019, respectively. The outstanding balance on this loan was \$6,655,000 and \$6,985,000 as of June 30, 2020 and 2019, respectively.

The Series 2005 and the Series 2007 Bonds are secured by the land, building and improvements of DC Prep. In order to provide enhanced security and liquidity for the weekly remarketing of the Series 2005 and Series 2007 Bonds, DC Prep has entered into various letter of credit agreements with M&T Bank since the bonds were issued. The current letter of credit agreements related to the Series 2005 and Series 2007 Bonds were set to expire in June 2019, but were amended during the year ended June 30, 2019, with a new expiration of June 14, 2026. Under the terms of the letter of credit agreements, the bank is obligated to lend funds to DC Prep in amounts sufficient to pay the purchase price of any bonds tendered for purchase that cannot be successfully remarketed. These letter of credit agreements have debt service reserve requirements. The letter of credit agreements also have various financial covenants, including maintaining a certain debt service coverage ratio, minimum liquidity and maximum annual capital expenditures. DC Prep is in compliance with all of the financial covenants.

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3. Notes Payable (continued)

In December 2013, DC Prep entered into a \$1,000,000 subordinated loan agreement with Charter Fund, Inc., a charter school support organization. The loan was to provide general support for DC Prep in carrying out its tax-exempt purposes. The note was interest-only with a 1% interest rate. The entire unpaid principal balance and accrued unpaid interest were due in June 2019, with funds transfer and ultimate settlement of payment occurring in July 2019 to satisfy the principal and accrued interest due on the note. As the note payable has a below-market interest rate of 1%, DC Prep had discounted the note by \$178,568, using an effective interest rate of 4.5%. DC Prep amortized the discount and recorded the corresponding additional interest expense in the amounts of \$35,017 for the year ended June 30, 2019. There was no unamortized discount remaining as of June 30, 2019.

In January 2014, DC Prep closed on a construction financing for its Benning Campus Cluster. The financing covered construction of a new addition for the Benning Middle School, buyout of prior improvements from the Charter School Incubator Initiative and additional improvements to the existing Benning Elementary School building. In December 2014, DC Prep refinanced the Benning Campus construction financing in a NMTC transaction. The transaction resulted in 10 new loans from four Community Development Entities (CDEs) for a total of \$28,950,000. The loans, considered Qualified Low Income Community Investments (QLICIs), were made to the Benning Campus Cluster, which is considered a Qualified Active Low Income Community Business (QALICB).

The QLICI loans have a seven-year compliance period during which no principal can be repaid; however, quarterly sinking fund payments of \$58,245 are required commencing in June 2016 through September 2021. The loans have fixed interest rates of either 3.68% or 4.08%, with a blended rate of 4.04%. Six of the loans are considered "A loans," and four are considered "B loans." The "A loans" total \$20,775,403 while the "B loans" total \$8,174,597. At the end of the compliance period, the "A loans" must be refinanced as they are due in full, while the "B loans" will begin to require payments that fully amortize the loans over their remaining 17-year term through November 2038, if they are not accelerated by the respective lenders.

Each "B loan" may be accelerated within six months of the end of the NMTC compliance period by each respective lender. Each lender may provide notice of such accelerated repayment and will accept a discounted repayment amount of \$1,000 for the full principal balance of each respective "B loan." While there is no guarantee, much of the value of the NMTC financing transaction is in the expected acceleration of the "B loans," by which the \$8,174,597 principal balance would be retired for \$4,000.

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3. Notes Payable (continued)

The loans from the CDEs were as follows:

<u>Lender</u>	<u>Loan</u>	<u>Rate</u>	<u>Category</u>
Banc of America CDE I, LLC	\$ 1,690,750	3.68%	A
LIIF Sub-CDE XXVIII, LLC	3,116,314	4.08%	A
LIIF Sub-CDE XXVIII, LLC	4,000,000	4.08%	A
City First Capital 36, LLC	5,201,935	4.08%	A
City First Capital 36, LLC	2,000,000	4.08%	A
Telesis CDE Nine, LLC	4,766,404	4.08%	A
Banc of America CDE I, LLC	809,250	3.68%	B
LIIF Sub-CDE XXVIII, LLC	2,883,686	4.08%	B
City First Capital 36, LLC	2,598,065	4.08%	B
Telesis CDE Nine, LLC	<u>1,883,596</u>	4.08%	B
Total	<u>\$ 28,950,000</u>		

The loans under the NMTC financing are secured by all Benning Campus Cluster revenue, accounts, furniture, fixtures, equipment, other assets, licenses, intangibles and the leasehold deed of trust.

The NMTC financing agreement required DC Prep to establish and maintain individual fee and expense reserve accounts totaling \$941,500 to pay certain annual service fees to the respective CDEs over the seven-year NMTC compliance period. The remaining balance associated with each reserve account is reported and included in restricted cash in the accompanying consolidated statements of financial position and will be paid over the compliance period as these fees become due and payable.

The construction financing for the Benning Campus Cluster has various financial covenants, including maintaining certain debt service coverage ratios, minimum liquidity and minimum tangible net worth. In addition to the financial covenants, DC Prep's Benning Campus Cluster must comply with certain NMTC program requirements during the seven-year compliance period. DC Prep was in compliance with all of its financial covenants and NMTC program requirements.

In December 2016, DC Prep entered into a \$1,500,000 subordinate forgivable loan agreement with Building Hope. The loan financed renovations and related capital expenditures for the Anacostia Elementary Campus. The note does not bear interest. The entire unforgiven principal balance was due at the maturity of the loan in 10 years; however, the loan may be forgiven or partially forgiven if DC Prep meets certain criteria. DC Prep met the criteria for forgiveness during the years ended June 30, 2018 and June 30, 2020, with no loan balance remaining as of June 30, 2020. The forgiven amount for the year ending June 30, 2020 of \$750,000 is included in contributions for the year ended June 30, 2020 in the accompanying consolidated statements of activities. As the note payable had a below-market interest rate of

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3. Notes Payable (continued)

0%, DC Prep discounted the note by \$167,516, using an effective interest rate of 4.5%. DC Prep has amortized the discount and recorded the corresponding additional interest expense in the amounts of \$79,661 and \$29,443 for the years ended June 30, 2020 and 2019. There were no unamortized discount balance as of June 30, 2020. There was an unamortized discount balance of \$79,661 as of June 30, 2019.

On June 29, 2017, DC Prep closed on a NMTC transaction to finance the remaining construction at the Anacostia Elementary Campus, as well as to refund excess equity DC Prep invested into the project. The transaction resulted in eight new loans from two CDEs for a total of \$24,250,000. The loans were made to the Anacostia Elementary Campus, which is considered a QALICB.

The QLICI loans have a seven-year compliance period during which no principal can be repaid; however, quarterly sinking fund payments of \$43,750 are required commencing in September 2018 and increasing to \$93,750 in September 2019, continuing through June 2024. The loans have fixed interest rates of 3.909%. Four of the notes, the "A notes" and "B notes," must be refinanced at the end of the compliance period. The A and B notes total \$15,660,000. Two of the notes, the "D notes," are subject to an early repayment provision such that the notes can be retired for a discounted repayment amount of \$1,000 each. The D notes total \$7,575,900. The "C notes," totaling \$1,014,100, are subject to acquisition and potential forgiveness via DC Prep Support Corp acquiring the member interests in the transaction's investment fund.

The C and D notes will begin payments that fully amortize the loans over their remaining term through December 2051 if they are not accelerated or otherwise retired by the respective lenders at the end of the compliance period. The loans from the CDEs were as follows:

Loan	Amount
CURE Loan A	\$ 7,168,000
CURE Loan B	2,854,400
CURE Loan C	649,024
CURE Loan D	4,848,576
ENMP Loan A	4,032,000
ENMP Loan B	1,605,600
ENMP Loan C	365,076
ENMP Loan D	2,727,324
Total	\$ 24,250,000

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3. Notes Payable (continued)

A summary of outstanding principal balances by source type as of June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
NMTC financings	\$ 53,200,000	\$ 53,200,000
Series 2007 Bonds	6,655,000	6,985,000
Series 2005 Bonds	3,400,000	3,610,000
Charter School Growth Fund	-	1,000,000
Building Hope	<u>-</u>	<u>750,000</u>
Total Outstanding Principal Balances	<u>\$ 63,255,000</u>	<u>\$ 65,545,000</u>

As of June 30, 2020, sinking fund and principal payments on the notes payable over the next five years and thereafter were due as follows:

<u>For the Year Ending June 30,</u>	<u>Sinking Fund</u>	<u>Principal Payments</u>
2021	\$ 1,187,149	\$ 565,000
2022	1,039,079	21,456,352
2023	1,009,167	972,562
2024	1,035,833	1,017,016
2025	689,583	16,807,841
Thereafter	<u>6,637,083</u>	<u>22,436,229</u>
Total Principal Payments Due	<u>\$ 11,597,894</u>	<u>\$ 63,255,000</u>

Notes payable, net of the discount and unamortized financing costs, at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Total Outstanding Principal Balances	\$ 63,255,000	\$ 65,545,000
Less: Current Portion	(565,000)	(1,540,000)
Less: Discount on Imputed Interest	-	(79,661)
Less: Unamortized Deferred Financing Costs	<u>(1,161,190)</u>	<u>(1,377,954)</u>
Notes Payable, Net of Current Portion	<u>\$ 61,528,810</u>	<u>\$ 62,547,385</u>

DC Prep entered into two interest rate swap agreements for the Series 2005 and 2007 Bonds to reduce its exposure to interest rate risk on its variable rate debt. Since inception of each bond series, DC Prep has hedged a portion of the outstanding principal of the bonds as required by the letter of credit agreements. In June, 2012, DC Prep entered into two new interest rate swap agreements for the Series 2005 and 2007 Bonds that expired May 31, 2019.

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3. Notes Payable (continued)

New interest rate swap agreements were entered into in July 2019 to replace the June 2012 swaps. The interest rate swap agreements cover \$2,550,000 and \$4,991,250, respectively, of the \$10,055,000 outstanding balance of the Bonds, representing approximately 75% of the combined bond issuance as of June 30, 2020. The 2012 swaps had a fixed interest rate of 1.28%, while the 2019 swaps have a fixed interest rate of 1.43%. DC Prep bears the interest rate risk on the uncovered balances of the two variable rate bond issuances. As the 2012 agreements expired in May 2019, no corresponding asset or liability is recorded at June 30, 2019. The fair value of the swaps as of June 30, 2020, represented a liability position of \$424,855.

The following schedule presents the notional principal amounts of DC Prep's interest rate swaps as of June 30, 2020 and 2019:

	Remaining Notional Amount at June 30, 2020	Expiration Date	Estimated Fair Value
Series 2005 Bonds	\$ 2,550,000	6/14/2026	\$ (143,950)
Series 2007 Bonds	4,991,250	6/14/2026	(280,905)
	\$ 7,541,250		\$ (424,855)
	Remaining Notional Amount at June 30, 2019	Expiration Date	Estimated Fair Value
Series 2005 Bonds	\$ -	5/31/2020	\$ -
Series 2007 Bonds	-	5/31/2020	-
	\$ -		\$ -

The classifications in the consolidated financial statements of the derivative financial instruments are summarized below as of June 30, 2020 and 2019:

	Fair Value	
	2020	2019
Consolidated statements of financial position location:		
Interest Rate Swaps Asset	\$ -	\$ -
Interest Rate Swaps Liability	\$ 424,855	\$ -

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3. Notes Payable (continued)

	Amount of Loss Recognized in the Statements of Activities	
	2020	2019
Location of loss recognized in the consolidated statements of activities:		
Unrealized loss on interest rate swaps	\$ 424,855	\$ 22,354

Interest of \$154,902 and \$160,013 was incurred on the Edgewood Campus Cluster revenue bonds and associated swaps for the years ended June 30, 2020 and 2019, respectively. Interest of \$2,198,440 and \$2,192,322 was incurred on the Benning NMTC financing, Anacostia NMTC financing and other debt for the years ended June 30, 2020 and 2019.

	2020	2019
Interest (nonimputed)	\$ 2,273,681	\$ 2,287,875
Imputed interest	79,661	64,460
Interest related to amortization of deferred financing costs	216,764	206,466
Interest Expense in Consolidated Statements of Functional Expenses	\$ 2,570,106	\$ 2,558,801

4. Line of Credit

On October 12, 2010, DC Prep entered into a line of credit agreement with M&T Bank for \$1,750,000 to support working capital requirements. The agreement required interest at a variable rate of the one-month London Interbank Offered Rate plus 3.5%, floating daily. The borrowing amount was limited to a ceiling of 75% of accounts receivable due within 90 days. DC Prep has not drawn down on the line of credit since inception. The line of credit was terminated by DC Prep in December 2019. There were no borrowings or repayments for the years ended June 30, 2020 and 2019. There was no amount outstanding as of June 30, 2019.

5. Notes Receivable

On June 29, 2017, DC Prep Support Corporation made a loan for \$1,014,100 to the BoA DC Prep Anacostia Investment Fund, LLC as part of the Anacostia Elementary NMTC financing transaction. The loan bears interest at 0.5% and matures on June 29, 2027. Interest is due quarterly on the 10th of December, March, June and September, and payment is interest-only through the December 2024 payment. Beginning in March 2025, principal and interest payments are due such that the entire unpaid principal balance is retired by maturity.

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6. Fair Value Measurement

Accounting standards define fair value, establish a framework for measuring fair value in accordance with GAAP and expand disclosures about fair value measurements. Accounting standards emphasize that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, accounting standards established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under fair value measurement standards are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes DC Prep's assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	<u>Fair Value</u>	Significant Other Observable Inputs (Level 2)
Interest Rate Swaps Liability	\$ 424,855	\$ 424,855

There were no assets and liabilities measured at fair value on a recurring basis as of June 30, 2019.

As discussed in Note 3, DC Prep has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate debt. The estimated fair value of an interest rate swap is generally determined using an externally developed model using forward-looking assumptions of interest rates and the resulting effect on the underlying cash flows of the interest rate swap. Valuations provided do not include adjustments for nonperformance risk on behalf of either party. As of June 30, 2020 and 2019, DC Prep had assessed the

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6. Fair Value Measurement (continued)

significance of the impact of the credit valuation adjustment on the overall valuation of its derivative positions and had determined that the credit valuation adjustments were not significant to the overall valuation of DC Prep's derivatives. As a result, DC Prep determined that the entirety of its derivative valuations is classified in Level 2 of the fair value hierarchy.

7. Net Assets With Donor Restrictions

As of June 30, 2020 and 2019, net assets with donor restrictions were available as follows:

	2020	2019
Subject to occurrence of passage of time:		
General operations	\$ 1,932,350	\$ 612,866
Subject to expenditure for specified purpose:		
Alumni support	46,713	37,157
Technology equipment	21,478	-
Breakfast programs	4,074	-
Community and parental engagement/advocacy	725	111,187
Repairs and renovations	-	25,000
The Broad Center Residency	-	11,467
Total Subject to Expenditure For Specified Purpose	72,990	184,811
Total Net Assets With Donor Restrictions	\$ 2,005,340	\$ 797,677

8. Charter School Funding – Per Pupil Allocation

Per Pupil Allocation funding for the years ended June 30, 2020 and 2019, was composed of the following:

	2020	2019
General education	\$ 25,413,639	\$ 23,395,164
Facilities allowance	6,793,395	6,369,376
Special education	5,733,753	4,844,835
At-risk students	2,732,417	2,330,076
English language learner	527,259	459,573
Total Per Pupil Allocation	\$ 41,200,463	\$ 37,399,024

In the fiscal year ended June 30, 2020, all public charter local education agencies (LEAs) in the district received a one-time payment due to additional public funding made available to charter LEAs following overspending by DCPS in the 2018-2019 school year. As charter

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8. Charter School Funding – Per Pupil Allocation (continued)

schools are to receive equal public funding per pupil as students in the DCPS system, such parity payment was remitted to charter LEAs in April 2020. This supplementary payment of \$373,748 is included in the per pupil allocation in the accompanying consolidated statements of activities.

9. Risks and Commitments

Concentration of Risk

DC Prep maintains its cash and cash equivalents with certain commercial financial institutions. As of June 30, 2020 and 2019, the cash balance exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation (FDIC) insured limit was \$22,353,913 and \$5,599,902, respectively. DC Prep monitors the creditworthiness of the institutions and has not experienced any historical credit losses on its cash.

Compliance Audit

DC Prep has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although DC Prep expects such amounts, if any, to be insignificant.

Major Contributor

DC Prep receives a substantial portion of its revenue from D.C. If a significant reduction in this revenue should occur, it could have a material effect on DC Prep's programs. During the years ended June 30, 2020 and 2019, DC Prep earned per pupil funding revenue from DC of \$41,200,463 and \$37,399,024, respectively, which is approximately 84% and 85%, respectively of DC Prep's total revenue and support for each of the years ended June 30, 2020 and 2019. This revenue is reflected as per pupil allocation in the accompanying consolidated statements of activities.

Risk and Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. DC Prep has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact DC Prep's financial condition or results of operations is uncertain and being evaluated by management and the Board.

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9. Risks and Commitments (continued)

Ground Lease Agreement

On January 31, 2014, DC Prep entered into a lease agreement with D.C. as part of the Benning Campus Cluster financing transaction. The lease term is 25 years, with one 25-year renewal term at the option of DC Prep. The annual base rent is \$850,800, increasing 2% annually at each anniversary. Rent is subject to a rent credit of one year of abatement for every \$1,000,000 spent on hard and soft construction costs or leasehold acquisition costs. Since DC Prep's construction and leasehold acquisition costs exceeded \$25 million, DC Prep is entitled to abatement of all rent that would otherwise be due under the lease for the Benning Campus. Accordingly, no rent expense is included in the consolidated financial statements for the years ended June 30, 2020 and 2019, related to this lease. There are also no anticipated future minimum payments as a result of the above-mentioned rent credit and abatement provisions.

Operating Leases

During the year ended June 30, 2019, DC Prep entered into a sublease agreement for a temporary facility for the Anacostia Middle School with a two-year term commencing July 1, 2020 and expiring June 30, 2022. The full service rent due under the lease is \$350,000 and \$536,000 for the first and second years, respectively.

10. Pension Plan

DC Prep sponsors a 403(b) plan that covers all full-time employees. Employees are eligible to join the plan upon their date of hire. DC Prep matches employee contributions up to 5% of the employees' salary after employees have completed one year of service. Pension expense was \$513,928 and \$571,472 for the years ended June 30, 2020 and 2019, respectively, and is included in employee benefits in the accompanying consolidated statements of functional expenses.

11. Liquidity and Availability of Financial Assets

DC Prep receives most of its annual operating funding from the District of Columbia government as per pupil funding – approximately 84% of its total revenue for the last two years. Funding from federal government grants and contributions was another 6% of revenue in the year ended June 30, 2020. The federal portion can be as high as 10%, particularly when DC Prep is awarded competitive federal grants. Private grants and contributions, some of which may have donor restrictions, represented just under 9% of revenue, while activity fees, program fees, interest income, and miscellaneous revenue were approximately 1% of revenue in the year ended June 30, 2020. Given this funding structure, generally more than 90% to 95% of DC Prep's annual operating revenue is received without donor restrictions in a given fiscal year, particularly after contingencies have been met.

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11. Liquidity and Availability of Financial Assets (continued)

DC Prep receives per pupil funding quarterly in advance – 35% July 15, 25% October 25, 20% January 15, and approximately 20% April 15 with adjustments in the final payment for truing up to final audited student enrollment. Additionally, DC Prep receives the per pupil funding related to facilities on an accelerated schedule, with the remaining 65% paid October 25, after the 35% July 15 payment. Since 85% of its operating funding is paid in advance, and since DC Prep has operated in a fiscally responsible manner for its nearly two decade history, DC Prep has strong liquidity.

Most of DC Prep’s unrestricted cash is maintained in its operating accounts and in various high quality short term investments through sweep account relationships. DC Prep’s various financing agreements require quarterly per pupil funding payments allocated to the Benning Elementary, Benning Middle, and Anacostia Elementary Campus to be held in restricted accounts until each subsequent quarter’s debt service payments are made. Funds are then released into the main operating/treasury sweep account. DC Prep also has restricted cash accounts related to its facilities financings holding fee reserves. Fees are drawn from these accounts periodically per various contractual agreements.

The table below outlines DC Prep’s financial assets available to meet cash need for expenditures within one year:

Cash and cash equivalents	\$ 23,525,342
Net pledges and grants receivable	3,391,746
Accounts receivable	<u>609,677</u>
Total Financial Assets Available	<u>27,526,765</u>
Adjustments for restrictions on financial assets:	
Net assets with donor restrictions	(2,005,340)
Plus net assets released from restrictions within one year	1,762,989
Cash restricted due to debt financing agreements	(3,626,380)
Plus amount to be released to fund debt financing obligations in a year	<u>468,825</u>
Total Adjustment for Restrictions on Financial Assets	<u>(3,399,906)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 24,126,859</u>

12. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (the IRC), D.C. Preparatory Academy and DC Prep Support Corp are exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2019, D.C. Preparatory Academy

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

12. Income Taxes (continued)

made a provision for unrelated business income tax \$6,682, due to the Tax Cuts and Jobs Acts of 2017, which caused nonprofit corporations to incur such tax on qualified transportation fringe benefits provided to employees starting January 1, 2018. The provision for incurring tax on qualified transportation fringe benefits provided to employees was subsequently retroactively repealed during the fiscal year ended June 30, 2020 and thus no provision was required for the fiscal year ended June 30, 2020. D.C. Preparatory Academy and DC Prep Support Corp had no other net unrelated business income for the years ended June 30, 2020 and 2019.

DC Prep adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of uncertainty in income taxes taken or expected to be taken in a tax return. DC Prep performed an evaluation of uncertainty in income taxes for the years ended June 30, 2020 and 2019, 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 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which DC Prep files tax returns; however there are currently no examinations pending or in progress. It is DC Prep's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

13. Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

14. Legal Matters

DC Prep from time to time has claims that are brought against it and consults with its legal counsel regarding these matters. As of and for the years ended June 30, 2020 and 2019, DC Prep does not expect an unfavorable outcome from any claims but, should one occur, in the opinion of DC Prep's management with the advice of legal counsel, insurance would cover the expenses and DC Prep would be liable only for its deductible under its insurance policy.

15. Related Party Transactions

DC Prep receives funding from the A. James and Alice B. Clark Foundation. A board member of Clark Foundation is currently a governing board member of DC Prep. For the year ended June 30, 2020, DC Prep recognized \$2,000,000 in contribution revenue from the Clark Foundation, which is included in private grants and contributions in the accompanying consolidated statements of activities. For the year ended June 30, 2019, there were no contribution revenue from the A. James and Alice B. Clark Foundation.

**D.C. PREPARATORY ACADEMY
AND
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

15. Related Party Transactions (continued)

During the years ended June 30, 2020 and June 30, 2019, DC Prep entered into consulting agreements with DC Prep's former CEO and current board member. The agreements were in effect for portions of the last two fiscal years with consulting fees of approximately \$4,850 and \$6,000 paid, respectively, during the years ended June 30, 2020 and June 30, 2019.

16. Subsequent Events

DC Prep's management has evaluated subsequent events through October 29, 2020, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2020**

	D.C. Preparatory Academy	DC Prep Support Corp	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 19,884,145	\$ 14,817	\$ -	\$ 19,898,962
Grants and contributions receivable	3,149,395	-	-	3,149,395
Accounts receivable	608,254	1,423	-	609,677
Prepaid expenses	322,986	-	-	322,986
Total Current Assets	<u>23,964,780</u>	<u>16,240</u>	<u>-</u>	<u>23,981,020</u>
Restricted cash	3,076,380	550,000	-	3,626,380
Grants and contributions receivable, net	242,351	-	-	242,351
Deposits	234,788	-	-	234,788
Notes receivable	-	1,014,100	-	1,014,100
Land	4,249,945	-	-	4,249,945
Building and improvements	40,630,888	-	-	40,630,888
Leasehold improvements	26,835,046	-	-	26,835,046
Furniture, fixtures and equipment	4,045,843	-	-	4,045,843
Total Fixed Assets	75,761,722	-	-	75,761,722
Less: Accumulated Depreciation and Amortization	<u>(17,415,888)</u>	<u>-</u>	<u>-</u>	<u>(17,415,888)</u>
Fixed Assets, Net	<u>58,345,834</u>	<u>-</u>	<u>-</u>	<u>58,345,834</u>
TOTAL ASSETS	<u>\$ 85,864,133</u>	<u>\$ 1,580,340</u>	<u>\$ -</u>	<u>\$ 87,444,473</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,395,418	\$ -	\$ -	\$ 1,395,418
Accrued payroll and benefits	2,046,435	-	-	2,046,435
Interest rate swaps liability	424,855	-	-	424,855
Deferred revenue	33,745	-	-	33,745
Notes payable, current portion	565,000	-	-	565,000
Total Current Liabilities	4,465,453	-	-	4,465,453
Notes payable, net of current portion	61,528,810	-	-	61,528,810
TOTAL LIABILITIES	<u>65,994,263</u>	<u>-</u>	<u>-</u>	<u>65,994,263</u>
Net Assets				
Without donor restrictions	17,864,530	1,580,340	-	19,444,870
With donor restrictions	2,005,340	-	-	2,005,340
TOTAL NET ASSETS	<u>19,869,870</u>	<u>1,580,340</u>	<u>-</u>	<u>21,450,210</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 85,864,133</u>	<u>\$ 1,580,340</u>	<u>\$ -</u>	<u>\$ 87,444,473</u>

See independent auditors' report.

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2020**

	D.C. Preparatory Academy	DC Prep Support Corp	Eliminations	Total
REVENUE AND SUPPORT				
Per pupil allocation	\$ 41,200,463	\$ -	\$ -	\$ 41,200,463
Private grants and contributions	4,204,546	375,000	(375,000)	4,204,546
Federal grants	1,551,966	-	-	1,551,966
Federal entitlements	1,456,406	-	-	1,456,406
Local government grants and program revenue	418,640	-	-	418,640
Other revenue	194,896	-	-	194,896
In-kind donations	90,901	-	-	90,901
Interest income	208,046	5,070	-	213,116
TOTAL REVENUE AND SUPPORT	49,325,864	380,070	(375,000)	49,330,934
EXPENSES				
Program Services	36,924,900	-	(375,000)	36,549,900
Supporting Services:				
Management and general	6,242,319	-	-	6,242,319
Development and fundraising	248,705	-	-	248,705
Total Supporting Services	6,491,024	-	-	6,491,024
TOTAL EXPENSES	43,415,924	-	(375,000)	43,040,924
Change in net assets before unrealized loss on interest rate swaps	5,909,940	380,070	-	6,290,010
Unrealized loss on interest rate swaps	(424,855)	-	-	(424,855)
CHANGE IN NET ASSETS	5,485,085	380,070	-	5,865,155
NET ASSETS, BEGINNING OF YEAR	14,384,785	1,200,270	-	15,585,055
NET ASSETS, END OF YEAR	\$ 19,869,870	\$ 1,580,340	\$ -	\$ 21,450,210

See independent auditors' report.

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

To the Board of Directors of D.C. Preparatory Academy and
DC Prep Support Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of D.C. Preparatory Academy and DC Prep Support Corporation (DC Prep Support Corp) (collectively referred to as DC Prep), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered DC Prep's internal control over financial reporting (internal control) to as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of DC Prep'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 consolidated 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.

Continued
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Prep's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Marcum LLP

Washington, DC
October 29, 2020

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

To the Board of Directors of
D.C. Preparatory Academy and
DC Prep Support Corporation

Report on Compliance for Each Major Federal Program

We have audited D.C. Preparatory Academy's and DC Prep Support Corporation's (DC Prep Support Corp) (collectively referred to as DC Prep) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on DC Prep's major federal program for the year ended June 30, 2020. DC Prep's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of DC Prep's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DC Prep'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 the major federal program. However, our audit does not provide a legal determination of DC Prep's compliance.

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Marcum LLP

Washington, DC
October 29, 2020

**D.C. PREPARATORY ACADEMY
AND
D.C. PREP SUPPORT CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):</i>			
Title I – Grants to Local Educational Agencies	84.010A	92010A/84.010A	\$ 859,259
Improving Teacher Quality State Grants	84.367A	92367A/84.367A	178,161
Student Support and Academic Enrichment Program	84.424A	92424A/84.424A	103,549
Title V-B Replication and Expansion	84.282A	VB.282A	92,789
Special Education Cluster (IDEA):			
Special Education – Grants to States	84.027A	92027A/A2027A	307,998
Special Education – Preschool grants	84.173A	92173A/A2173A	7,439
Special Education Cluster (IDEA) Subtotal			315,437
Education for Homeless Children and Youth	84.196	92196A/A2196A/20	32,527
DC School Choice Incentive Program:			
Scholarships for Opportunity and Results (SOAR)	84.370C	U370C190001	281,829
Charter Schools:			
Bridging the Education Divide in Washington, DC	84.282M	N/A	192,860
Total U.S. Department of Education			2,056,411
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid	93.768	N/A	11,394
Total U.S. Department of Health and Human Services			11,394
U.S. DEPARTMENT OF AGRICULTURE – FOOD AND NUTRITION SERVICE			
<i>Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):</i>			
Child Nutrition Cluster:			
National School Lunch Program (NSLP)	10.555	N/A	381,922
School Breakfast Program	10.553	N/A	204,608
NSLP-Fresh Fruit and Vegetables Program (Food Commodities)	10.555	N/A	49,179
Total U.S. Department of Agriculture			635,708
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,703,514

See accompanying notes to this schedule.

**D.C. PREPARATORY ACADEMY
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended June 30, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of DC Prep 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 DC Prep, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DC Prep.

2. Basis of Accounting

Expenditures reported on the SEFA 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.

3. Indirect Cost Rate

DC Prep has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Reconciliation of the Schedule of Expenditures of Federal Awards to the Consolidated Statement of Activities

The expenditures per the schedule of expenditures of federal awards are reported in the consolidated statements of activities in the audited financial statements as follows:

Expenditures per schedule of federal awards	\$ 2,703,514
Prior period revenue adjustment for Medicaid (FY16&17)	256,873
Prior period adjustments for NSLP and TANF (FY19)	(9,287)
E-rate program revenue	<u>57,272</u>
Total Federal Grants and Entitlements Reported in the Consolidated Statements of Activities	<u>\$ 3,008,372</u>
Federal grants	\$ 1,551,966
Federal entitlements	<u>1,456,406</u>
Total Federal Grants and Entitlements Reported in the Consolidated Statements of Activities	<u>\$ 3,008,372</u>

**D.C. PREPARATORY ACADEMY
AND
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP:

 X Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

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

 X Unmodified Qualified
 Adverse Disclaimer

Internal control over major program(s):

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

 Yes X No

Identification of Major Program(s):

CFDA/Grant Number	Program Title
84.010A	Title 1-Grants to Local Educational Agencies

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

Auditee qualified as a low-risk auditee? X Yes No

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None required to be reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.

OTHER INFORMATION

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**SCHEDULE OF VENDOR CONTRACTS \$25,000 AND OVER
For the Year Ended June 30, 2020**

Vendor	Type of Service	Contract Value	Amount Paid	Conflict of Interest
CareFirst Blue Cross Blue Shield	Insurance	\$ 2,333,879	\$ 2,182,377	No
End-to-End Solutions for Special Ed.	Special education services	*	\$ 765,598	No
Revolution Foods	Food services	\$ 1,170,648	\$ 730,719	No
Swing Education Inc.	Instructional support services	*	\$ 655,898	No
PMM Companies	Janitorial and facilities management services	\$ 653,822	\$ 583,596	No
DC Public Charter School Board	Authorizer fee	*	\$ 397,002	No
Pepco	Electricity	*	\$ 381,631	No
EdOps	Accounting and facilities finance support services	*	\$ 348,966	No
Amazon.com	Books, supplies and materials	*	\$ 327,669	No
Lavinia Group LLC	Instructional support services	\$ 221,250	\$ 236,136	No
Traditional Expressions, LLC	Instructional support services	\$ 189,000	\$ 206,726	No
Shanahan Law Firm LLC, The	Legal services (retainer)	\$ 96,000	\$ 186,000	No
Reliance Standard Life Insurance Company	Insurance	*	\$ 176,411	No
Smart Cleaning Solutions Inc.	Janitorial and facilities management services	\$ 158,796	\$ 163,885	No
PRO-AIR	Mechanical systems and plumbing services	\$ 164,245	\$ 146,506	No
Staples	Books, supplies and materials	*	\$ 142,748	No
Metlife Group Benefits	Insurance	*	\$ 122,956	No
Dell, Inc.	IT products and services	*	\$ 115,313	No
Jessica Pasionek	Instructional support services	\$ 118,600	\$ 106,705	No
DC Water and Sewer Authority	Water and sewage services	*	\$ 106,578	No
Philadelphia Insurance Companies	Insurance	\$ 103,689	\$ 103,865	No
Achievement Network	Student assessment support and services	\$ 92,900	\$ 93,549	No
Hartford, The	Insurance	\$ 82,157	\$ 86,885	No
The Ultimate Software Group, Inc.	HRIS and payroll services	\$ 105,000	\$ 85,495	No
Trust Security Services, Inc	Security services	*	\$ 81,302	No
EdFuel	Consulting services	\$ 66,702	\$ 79,106	No
Advanced Building Services Inc	Mechanical systems equipment and support	\$ 144,210	\$ 72,105	No
DC Treasurer	Internet services	*	\$ 69,207	No
anythree.com	IT products and services	\$ 54,000	\$ 62,086	No
Marcum LLP	Financial audit services	\$ 65,110	\$ 60,293	No
Copier Workshop, Inc	Copier rental services	*	\$ 58,927	No
Edgewood Commons	Parking (rent)	\$ 51,975	\$ 56,100	No
Verizon	Phone and internet services	*	\$ 51,065	No
Early Autism Solutions, LLC	Special education services	*	\$ 49,604	No
Lexia Learning Systems	Reading technology product and services	\$ 48,000	\$ 48,000	No
Wells Fargo Equipment Finance	Equipment financing services	*	\$ 45,383	No
Teach for America	Talent recruitment and development services	*	\$ 44,600	No
Fresh Prints LLC	Personal protective equipment	\$ 44,406	\$ 44,406	No
Daycon Products Company, Inc	Cleaning and maintenance supplies	*	\$ 42,288	No
Washington Gas	Natural gas services	*	\$ 39,184	No
ExploreLearning	Math & Science technology product and services	\$ 37,810	\$ 37,810	No
Schoolzilla PBC	Data assessment systems and services	\$ 37,779	\$ 37,779	No
EZCater	Catering services	*	\$ 37,279	No
The Noble Story Group	Instructional support services	\$ 37,475	\$ 35,606	No
Stanley Convergent Security Solutions	Security system services	\$ 33,256	\$ 35,374	No
Young Weeden, LLC	Special education services	*	\$ 35,122	No
Sara Batterton	Facilities consulting services	*	\$ 33,777	No
UnboundEd Learning, Inc.	Professional developmnet	*	\$ 32,225	No
Law Office of Lauren E. Baum	Legal services (retainer)	\$ 30,000	\$ 30,000	No
Carson Dellosa Education	School supplies	\$ 29,855	\$ 29,855	No
Carolina Textile District, LLC	Personal protective equipment	\$ 29,077	\$ 29,077	No
Breakthrough Leadership Consulting, LLC	Instructional support services	\$ 33,200	\$ 27,649	No
PowerSchool Group LLC	Education technology software and services	*	\$ 27,502	No
Educators Rock	Instructional support services	*	\$ 26,400	No
Fire & Life Safety America, Inc.	Fire protection services	*	\$ 26,187	No
Groundswell Global Research	Instructional support services	\$ 35,000	-	No
JLT Trucking	Waste Hauling	\$ 41,544	-	No
Georgetown Center for Wellbeing in School Environments	Professional development and consulting	\$ 49,750	-	No
Busy Bee Janitorial & Environmental Services	Janitorial and facilities management services	\$ 149,632	-	No
Constellation an Exelon Company	Electricity	\$ 210,000	-	No
SchoolsIn	Classroom furniture	\$ 49,000	-	No

* No contract value as payments are based on usage of goods and services.

See auditors' report on required regulatory information.

**D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION**

**NOTE TO SCHEDULE OF VENDOR CONTRACTS \$25,000 AND ABOVE
For the Year Ended June 30, 2020**

1. Basis of Presentation

This schedule of vendor contracts \$25,000 and above is required regulatory information and is reported in accordance with the DC Public Charter School Board (DC PCSB) fiscal year 2020 Audit Guidelines, Section Audit Reports – *Audit Package*.