D.C. PREPARATORY ACADEMY AND DC PREP SUPPORT CORPORATION

Consolidated Financial Statements and Supplementary Information

For the Years Ended June 30, 2019 and 2018

and Report Thereon

Reports Required in Accordance with Uniform Guidance

For the Year Ended June 30, 2019

D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION

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For the Years Ended June 30, 2019 and 2018

MARCUM
ACCOUNTANTS ▲ ADVISORS

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 statement of financial position as of June 30, 2019, 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.

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

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the 2019 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

DC Prep's 2018 consolidated financial statements were audited by Raffa, P.C. whose practice was combined with Marcum LLP, and whose report dated October 30, 2018, expressed an unmodified opinion on those consolidated financial statements.

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 in the supplementary schedules on pages 25 and 26 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 35 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, 2019, 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, 2019

D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,247,970	$ 14,500,349
Grants and contributions receivable	452,283	280,152
Accounts receivable	1,671,825	634,783
Prepaid expenses	363,066	364,951
Total Current Assets	18,735,144	15,780,235
Restricted cash	3,259,274	3,195,402
Grants and contributions receivable, net	146,306	256,951
Deposits	247,144	235,602
Interest rate swaps asset	-	22,354
Notes receivable	1,014,100	1,014,100
Fixed assets		
Land	2,902,620	2,902,620
Buildings and improvements	40,543,720	40,511,811
Leasehold improvements	26,835,046	26,830,046
Furniture, fixtures and equipment	3,438,588	3,179,206
Total Fixed Assets	73,719,973	73,423,683
Less: Accumulated Depreciation and Amortization	(14,981,197)	(12,520,227)
Fixed Assets, Net	58,738,776	60,903,456
TOTAL ASSETS	$ 82,140,744	$ 81,408,100
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 1,019,435	$ 929,244
Accrued payroll and benefits	1,415,124	1,467,834
Deferred revenue	33,745	33,745
Notes payable, current portion	1,540,000	1,515,000
Total Current Liabilities	4,008,304	3,945,823
Notes payable, net of current portion	62,547,385	62,816,459
TOTAL LIABILITIES	66,555,689	66,762,282
NET ASSETS		
Without donor restrictions	14,787,378	13,478,308
With donor restrictions	797,677	1,167,510
TOTAL NET ASSETS	15,585,055	14,645,818
TOTAL LIABILITIES AND NET ASSETS	$ 82,140,744	$ 81,408,100

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

D.C. PREPARATORY ACADEMY
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CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Per pupil allocation	$ 37,399,024	$ -	$ 37,399,024	$ 34,231,026	$ -	$ 34,231,026
Private grants and contributions	835,057	556,382	1,391,439	1,618,221	828,951	2,447,172
Federal grants	1,850,798	-	1,850,798	1,530,493	-	1,530,493
Federal entitlements	1,706,375	-	1,706,375	616,814	-	616,814
Local government grants and program revenue	633,126	-	633,126	250,061	-	250,061
Other revenue	329,449	-	329,449	544,746	-	544,746
In-kind donations	214,857	-	214,857	312,082	-	312,082
Interest income	320,633	-	320,633	129,537	-	129,537
Net assets released from restriction:						
Satisfaction of time restrictions	514,462	(514,462)	-	696,523	(696,523)	-
Satisfaction of program restrictions	411,753	(411,753)	-	466,551	(466,551)	-
TOTAL REVENUE AND SUPPORT	44,215,535	(369,833)	43,845,702	40,396,054	(334,123)	40,061,931
EXPENSES						
Program Services	36,244,547	-	36,244,547	33,342,740	-	33,342,740
Supporting Services:						
Management and general	6,343,491	-	6,343,491	6,092,297	-	6,092,297
Development and fundraising	296,074	-	296,074	288,902	-	288,902
Total Supporting Services	6,639,564	-	6,639,564	6,381,199	-	6,381,199
TOTAL EXPENSES	42,884,112	-	42,884,112	39,723,939	-	39,723,939
Change in net assets before unrealized gain (loss) on interest rate swaps	1,331,424	(369,833)	961,591	672,115	(334,123)	337,992
Unrealized gain (loss) on interest rate swaps	(22,354)	-	(22,354)	51,160	-	51,160
CHANGE IN NET ASSETS	1,309,070	(369,833)	939,237	723,275	(334,123)	389,152
NET ASSETS, BEGINNING OF YEAR	13,478,308	1,167,510	14,645,818	12,755,033	1,501,633	14,256,666
NET ASSETS, END OF YEAR	$ 14,787,378	$ 797,677	$ 15,585,055	$ 13,478,308	$ 1,167,510	$ 14,645,818

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, 2019 and 2018

	2019				2018			
	Programs	Management and General	Development and Fundraising	Total	Programs	Management and General	Development and Fundraising	Total
Personnel, Salaries and Benefits:								
Salaries	$ 20,700,936	$ 3,663,116	$ 124,695	$ 24,488,747	$ 19,051,668	$ 3,549,010	$ 114,254	$ 22,714,932
Employee benefits	2,127,538	377,950	12,924	2,518,411	1,946,842	373,487	12,375	2,332,704
Payroll taxes	1,611,219	275,017	9,107	1,895,343	1,454,420	264,979	8,427	1,727,826
Other staff-related expense	315,324	88,524	3,845	407,693	323,263	102,985	4,296	430,544
Professional development	237,997	177,436	9,385	424,818	201,932	111,729	5,217	318,878
Total Personnel, Salaries and Benefits	24,993,014	4,582,043	159,954	29,735,012	22,978,125	4,402,190	144,569	27,524,884
Direct Student Costs:								
Student food service program	1,076,562	-	-	1,076,562	1,067,224	-	-	1,067,224
Contracted instruction fees	1,458,794	-	-	1,458,794	664,546	-	-	664,546
Supplies, materials and snacks	378,036	-	-	378,036	382,317	-	-	382,317
Fieldwork and other transportation	213,247	-	-	213,247	227,587	-	-	227,587
Student assessments	185,360	-	-	185,360	195,183	-	-	195,183
Other student costs	132,567	-	-	132,567	151,271	-	-	151,271
Textbooks	62,861	-	-	62,861	97,197	-	-	97,197
Total Direct Student Costs	3,507,428	-	-	3,507,428	2,785,325	-	-	2,785,325
Occupancy Expenses:								
Interest	2,546,180	10,948	1,673	2,558,801	2,354,636	11,091	1,606	2,367,333
Contracted building services	836,688	5,588	1,863	844,139	901,762	7,402	2,467	911,631
Rent	(9,006)	33,928	11,309	36,231	58,897	33,501	11,167	103,565
Utilities and garbage removal	576,136	3,847	1,282	581,265	566,227	3,867	1,289	571,383
Facilities finance fees	411,766	5,264	1,755	418,785	439,701	5,479	1,826	447,006
Maintenance and repairs	194,426	1,326	442	196,194	178,550	1,518	506	180,574
Facilities consulting services	-	5,875	-	5,875	2,640	-	-	2,640
Janitorial supplies	6,901	63	21	6,984	3,420	29	10	3,459
Total Occupancy Expenses	4,563,091	66,838	18,345	4,648,274	4,505,833	62,887	18,871	4,587,591

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

D.C. PREPARATORY ACADEMY
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

(continued)

	2019				2018			
	Programs	Management and General	Development and Fundraising	Total	Programs	Management and General	Development and Fundraising	Total
Office Expenses:								
Office supplies	$ 186,570	$ 39,979	$ 39,979	$ 266,529	$ 171,321	$ 36,712	$ 36,712	$ 244,745
Telecommunications	123,054	26,369	26,369	175,792	128,144	27,459	27,459	183,062
Computer support expenses	140,780	24,941	850	166,571	142,316	26,475	855	169,646
Equipment rent and maintenance	72,749	15,589	15,589	103,928	85,485	18,318	18,318	122,121
Printing and copying	20,429	4,378	4,378	29,185	19,467	4,172	4,172	27,811
Postage	12,090	2,591	2,591	17,271	13,967	2,993	2,993	19,953
Total Office Expenses	555,673	113,847	89,755	759,275	560,700	116,129	90,509	767,338
General Expenses:								
Accounting, auditing and payroll	-	521,677	-	521,677	-	466,856	-	466,856
Authorizer fees	-	376,806	-	376,806	-	334,974	-	334,974
Other general expenses	116,701	257,537	-	374,239	138,046	201,840	23,497	363,383
Insurance	173,870	30,803	1,050	205,723	143,564	26,707	863	171,134
Legal fees	19,667	148,650	-	168,317	20,296	127,447	-	147,743
Dues, fees, licenses and fines	19,938	81,260	5	101,203	20,377	101,319	874	122,570
Other professional and fundraising fees	-	1,998	23,191	25,189	-	73,230	6,041	79,271
Total General Expenses	330,176	1,418,732	24,245	1,773,153	322,283	1,332,373	31,275	1,685,931
Depreciation and amortization	2,295,166	162,030	3,774	2,460,970	2,190,474	178,718	3,678	2,372,870
TOTAL EXPENSES	$ 36,244,547	$ 6,343,491	$ 296,074	$ 42,884,112	$ 33,342,740	$ 6,092,297	$ 288,902	$ 39,723,939

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

D.C. PREPARATORY ACADEMY
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CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 939,237	$ 389,152
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,460,970	2,372,870
Amortization of deferred financing costs	206,466	142,907
Imputed interest on notes payable	64,460	62,523
Change in value of interest rate swaps	22,354	(51,160)
Forgiveness of debt	-	(750,000)
Changes in assets and liabilities:		
Grants and contributions receivable	(61,486)	1,205,749
Accounts receivable	(1,037,042)	22,856
Note receivable	-	250,000
Prepaid expenses	1,885	(3,728)
Deposits	(11,542)	7,487
Accounts payable and accrued expenses	90,191	(370,028)
Accrued payroll and benefits	(52,710)	(188,967)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,622,784	3,089,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets, including construction costs	(296,292)	(9,113,328)
NET CASH USED IN INVESTING ACTIVITIES	(296,292)	(9,113,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(515,000)	(490,000)
Transfers from restricted cash	(63,871)	8,433,532
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(578,871)	7,943,532
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,747,621	1,919,865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,500,349	12,580,484
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 16,247,970	$ 14,500,349
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	$ 16,247,970	$ 14,500,349
Restricted cash – reserve financing funds	3,259,274	3,195,402
TOTAL CASH AND CASH EQUIVALENTS	$ 19,507,244	$ 17,695,751
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid, net of capitalized interest	$ 2,276,881	$ 2,077,805
NONCASH TRANSACTIONS		
Noncash investing and financing activities:		
Forgiveness of debt	$ -	$ 750,000

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

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 common 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 federal government 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.

Continued

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. 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, 2019 and 2018.

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

Grants and contributions of cash and other assets are reported as donor restricted if they are received with donor stipulations that limit the use of the donated assets for a particular purpose or for a specific period of time. When the stipulated time restriction ends or the purpose of the restriction is met, *net assets with donor restrictions* are reclassified to *net assets without donor restrictions* and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises to give are made.

Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

Continued

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

Per Pupil Allocation

DC Prep receives a per pupil student allocation and facility allowance from D.C., as well as federal funding, to cover the cost of academic expenses. Revenue is recognized ratably over the academic year. Payments received for the summer following the academic year, if any, are reported as deferred revenue in the accompanying consolidated statements of financial position.

In-Kind Donations

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.

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 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.

Continued

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

Deferred Financing Costs

Deferred financing costs represent legal costs and other fees associated with DC Prep's Bond Issuances and NMTC financings and require the presentation of deferred financing costs as a reduction to the carrying amount of the related debt liability rather than as a deferred charge as required under prior guidance.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. DC Prep has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Grants and Contributions Receivable

Grants and contributions receivable consist of unconditional promises to give made by individuals and foundations as of June 30, 2019 and 2018. 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:

	2019	2018
Due in less than one year	$ 452,383	$ 280,152
Due in one to five years	150,000	265,000
Total Grants and Contributions Receivable	602,383	545,152
Less: Present Value Discount	(3,795)	(8,049)
Grants and Contributions Receivable, Net	$ 598,589	$ 537,103

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.

2. Grants and Contributions Receivable (continued)

As of June 30, 2019, DC Prep had a grant in which remaining payments totaling $36,740 are conditional on achieving certain milestones. As of June 30, 2018, DC Prep had no conditional grants from funders. The grants will be paid and recognized as revenue upon DC Prep's satisfaction of certain milestones.

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 1.65% and 1.22% during the years ended June 30, 2019 and 2018, 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 $3,610,000 and $3,810,000 as of June 30, 2019 and 2018, 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 1.65% and 1.2% during the years ended June 30, 2019 and 2018, respectively. The outstanding balance on this loan was $6,985,000 and $7,300,000 as of June 30, 2019 and 2018, 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

Continued

3. Notes Payable (continued)

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.

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 is to provide general support for DC Prep in carrying out its tax-exempt purposes. The note is interest-only with a 1% interest rate. The entire unpaid principal balance and accrued unpaid interest were due in June 2019, with funds transferring 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 has amortized the discount and recorded the corresponding additional interest expense in the amounts of $35,017 and $34,373 for the years ended June 30, 2019 and 2018. There was no unamortized discount as of June 30, 2019 and there was $35,017 as of June 30, 2018.

In January 2014, DC Prep closed on new 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.

3. Notes Payable (continued)

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.

The loans from the CDEs were as follows:

Lender	Loan	Rate	Category
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	1,883,596	4.08%	B
Total	$ 28,950,000		

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 statement 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.

Continued

3. Notes Payable (continued)

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 is 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 partial forgiveness during the year ended June 30, 2018, and the forgiven amount of $750,000 is included in contributions for the year ended June 30, 2018 in the accompanying consolidated statement of activities. As the note payable has a below-market interest rate of 0%, DC Prep has 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 $29,443 and $28,150 for the years ended June 30, 2019 and 2018, resulting in an unamortized discount of $79,661 and $109,103 as of June 30, 2019 and 2018.

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

3. Notes Payable (continued)

A summary of outstanding principal balances by source type as of June 30, 2019 and 2018, is as follows:

	2019	2018
NMTC financings	$ 53,200,000	$ 53,200,000
Series 2007 Bonds	6,985,000	7,300,000
Series 2005 Bonds	3,610,000	3,810,000
Charter School Growth Fund	1,000,000	1,000,000
Building Hope	750,000	750,000
Total Outstanding Principal Balances	$ 65,545,000	$ 66,060,000

As of June 30, 2019, sinking fund and principal payments on the notes payable over the next five years and thereafter were due as follows:

For the Year Ending June 30,	Sinking Fund	Principal Payments
2020	$ 1,158,815	$ 1,540,000
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
Thereafter	7,326,668	39,994,069
Total Principal Payments Due	$ 12,756,711	$ 65,545,000

Notes payable, net of the discount and unamortized financing costs, at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Total Outstanding Principal Balances	$ 65,545,000	$ 66,060,000
Less: Current Portion	(1,540,000)	(1,515,000)
Less: Discount on Imputed Interest	(79,661)	(144,121)
Less: Unamortized Deferred Financing Costs	(1,377,954)	(1,584,420)
Notes Payable, Net of Current Portion	$ 62,547,385	$ 62,816,459

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.

Continued

3. Notes Payable (continued)

New interest rate swap agreements were entered into in July 2019 to replace the June 2012 swaps. Both interest rate swap agreements covered $2,860,000 and $5,475,000, respectively, of the $11,110,000 outstanding balance of the Bonds, representing approximately 75% of the combined bond issuance as of June 30, 2018. 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 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, 2018, represented an asset position of $22,354.

The following schedule presents the notional principal amounts of DC Prep's interest rate swaps as of June 30, 2019 and 2018:

	Remaining Notional Amount at June 30, 2019	Expiration Date	Estimated Fair Value
Series 2005 Bonds	$ -	5/31/2019	$ -
Series 2007 Bonds	-	5/31/2019	-
	$ -		$ -

	Remaining Notional Amount at June 30, 2018	Expiration Date	Estimated Fair Value
Series 2005 Bonds	$ 2,860,000	5/31/2019	$ 7,842
Series 2007 Bonds	5,475,000	5/31/2019	14,512
	$ 8,335,000		$ 22,354

The classifications in the consolidated financial statements of the derivative financial instruments are summarized below as of June 30, 2019 and 2018:

	Fair Value	
	2019	2018
Consolidated statements of financial position location:		
Interest Rate Swaps Asset	$ -	$ 22,354
Interest Rate Swaps Liability	$ -	$ -

Continued

3. Notes Payable (continued)

	Amount of Gain Recognized in the Statements of Activities	
	2019	2018
Location of gain recognized in the consolidated statements of activities:		
Unrealized gain on interest rate swaps	$ -	$ 51,160

Interest of $160,013 and $152,281 was incurred on the Edgewood Campus Cluster revenue bonds and associated swaps for the years ended June 30, 2019 and 2018, respectively. Interest of $2,192,322 and $2,191,441 was incurred on the Benning NMTC financing, Anacostia NMTC financing and other debt for the years ended June 30, 2019 and 2018.

	2019	2018
Interest (nonimputed)	$ 2,287,875	$ 2,281,200
Imputed interest	64,460	62,523
Interest related to amortization of deferred financing costs	206,466	142,907
Capitalized interest	-	(119,297)
Interest Expense in Consolidated Statements of Functional Expenses	$ 2,558,801	$ 2,367,333

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 bears interest at a variable rate of the one-month London Interbank Offered Rate plus 3.5%, floating daily. The borrowing amount is 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 remains in effect until terminated by DC Prep or the bank, after any outstanding balance is paid in full. No amount was outstanding as of June 30, 2019 and 2018.

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.

Continued

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.

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

The following table summarizes DC Prep's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Fair Value	Significant Other Observable Inputs (Level 2)
Interest Rate Swaps Asset	$ 22,354	$ 22,354

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, 2018, DC Prep had assessed the significance of

6. Fair Value Measurement (continued)

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, 2019 and 2018, net assets with donor restrictions were available as follows:

	2019	2018
Subject to occurrence of passage of time:		
General operations	$ 612,865	$ 880,446
Subject to expenditure for specified purpose:		
Community and parental engagement/advocacy	111,187	3,725
Alumni support	37,157	51,672
Repairs and renovations	25,000	-
The Broad Center Residency	11,467	231,667
Total Subject to Expenditure For Specified Purpose	184,811	287,064
Total Net Assets With Donor Restrictions	$ 797,677	$ 1,167,510

8. Charter School Funding – Per Pupil Allocation

Per Pupil Allocation funding for the years ended June 30, 2019 and 2018, was composed of the following:

	2019	2018
General education	$ 23,395,164	$ 22,109,703
Facilities allowance	6,369,376	5,986,365
Special education	4,844,835	3,668,720
At-risk students	2,330,076	2,126,119
English language learner	459,573	340,119
Total Per Pupil Allocation	$ 37,399,024	$ 34,231,026

In the fiscal year ended June 30, 2018, all public charter schools received a one-time payment to reflect a retroactive increase in the fiscal year 2017 Unit Per Student Funding Formula (UPSFF) base rate due to the city's new contract with the Washington Teachers' Union (WTU). The payment was based on the final enrollment audit count, supplementary payments and extended school year (ESY) funding. This supplementary payment of approximately $500,000 is included in the per pupil allocation in the accompanying consolidated statement 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, 2019 and 2018, the majority of DC Prep's cash was in a sweep investment account associated with its primary operating account which is invested in U.S. Treasury money market funds. As of June 30, 2019 and 2018, the cash balance exceeding the $250,000 per depositor per institution Federal Deposit Insurance Corporation (FDIC) insured limit was $5,599,902 and $5,625,519, respectively.

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, 2019 and 2018, DC Prep earned per pupil funding revenue from DC of $37,399,024 and $34,231,026, respectively, which is approximately 85% of DC Prep's total revenue and support for each of the years ended June 30, 2019 and 2018. This revenue is reflected as per pupil allocation in the accompanying consolidated statements of activities.

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, 2019 and 2018, 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

In May 2015, DC Prep entered into a noncancelable sublease agreement that commenced on July 1, 2015, and terminated on June 30, 2016. The agreement provided DC Prep with an option for a one-year extension with no rent increase, and additional annual extensions at then-negotiated terms for a temporary facility for the Anacostia Elementary School.

Continued

9. Risks and Commitments (continued)

Operating Leases (continued)

DC Prep subsequently executed an amendment to that sublease changing the term of the sublease to two years with an expiration on August 19, 2017. The base rent due for the initial period per the amendment is $548,000, with $500,000 prepaid on execution and the remaining $48,000 paid in equal monthly installments over the two-year term. As of June 30, 2019 and 2018, there was no prepaid balance. Under the modified agreement, DC Prep is required to pay all of the operating expenses of the premises during the lease term.

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 $571,472 and $523,657 for the years ended June 30, 2019 and 2018, 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 – more than 85% of its total revenue for the last two years. Funding from federal government grants and contributions was another 8% of revenue in the year ended June 30, 2019, which is typical. Private grants and contributions, some of which may have donor restrictions, represented 3% of revenue, while activity fees, program fees, interest income, and miscellaneous revenue was another 2% in the year ended June 30, 2019. Given this funding structure, generally more than 95% of DC Prep's annual operating revenue is received without donor restrictions in a given fiscal year.

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.

Continued

11. Liquidity and Availability of Financial Assets (continued)

Most of DC Prep's unrestricted cash is currently maintained in a treasury sweep account that both protects the funds as well as provides a reasonable rate of return for the level of risk. 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 pulled 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	$ 19,507,244
Accounts receivable	1,671,825
Net pledges and grants receivable	452,383
Total Financial Assets Available Within One Year	21,631,452
Adjustments for restrictions on financial assets:	
Cash restricted due to debt financing agreements	(3,259,274)
Amount released to fund next fiscal year obligations	482,604
Total Adjustment for Restrictions on Financial Assets	(2,776,670)
Financial Assets Available to Meet General Expenditures Within One Year	$ 18,854,782

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 years ended June 30, 2019 and 2018, D.C. Preparatory Academy made a provision for unrelated business income tax of $6,682 and $5,764, respectively, 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. D.C. Preparatory Academy and DC Prep Support Corp had no other net unrelated business income for the years ended June 30, 2019 and 2018.

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

Continued

12. Income Taxes (continued)

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, 2019 and 2018, 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, 2019, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which DC Prep files tax returns. It is DC Prep's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

13. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 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, 2019 and 2018, 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 NewSchools Venture Fund and its successor spin-off, Education Forward DC. One of NewSchools Venture Fund's partners, and now Education Forward DC's Chief Executive Officer, is currently a governing board member of DC Prep. For the year ended June 30, 2019 no contribution revenue from NewSchools Venture Fund was recognized by DC Prep. For the year ended June 30, 2018, DC Prep recognized $183,121 in contribution revenue from NewSchools Venture Fund, which is included in private grants and contributions in the accompanying consolidated statements of activities.

During the year ended June 30, 2019, DC Prep entered into a consulting agreement with DC Prep's former CEO and newly elected board member. The agreement was in effect for a period of 6 weeks with consulting fees of approximately $6,000 paid during the year ended June 30, 2019.

16. Subsequent Events

DC Prep's management has evaluated subsequent events through October 29, 2019, the date the financial statements were available to be issued. Except for the renewal of the swap interest rate agreement and payment of the $1,000,000 note payable described in Note 3, 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, 2019

	D.C. Preparatory Academy	DC Prep Support Corp	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 16,063,223	$ 184,747	$ -	$ 16,247,970
Grants and contributions receivable	452,283	-	-	452,283
Accounts receivable	1,670,403	1,423	-	1,671,825
Prepaid expenses	363,066	-	-	363,066
Total Current Assets	18,548,974	186,169	-	18,735,144
Restricted cash	3,259,274	-	-	3,259,274
Grants and contributions receivable, net	146,306	-	-	146,306
Deposits	247,144	-	-	247,144
Notes receivable	-	1,014,100	-	1,014,100
Fixed assets				
Land	2,902,620	-	-	2,902,620
Building and improvements	40,543,720	-	-	40,543,720
Leasehold improvements	26,835,046	-	-	26,835,046
Furniture, fixtures and equipment	3,438,588	-	-	3,438,588
Total Fixed Assets	73,719,973	-	-	73,719,973
Less: Accumulated Depreciation and Amortization	(14,981,197)	-	-	(14,981,197)
Fixed Assets, Net	58,738,776	-	-	58,738,776
TOTAL ASSETS	$ 80,940,474	$ 1,200,269	$ -	$ 82,140,744
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	$ 1,019,435	$ -	$ -	$ 1,019,435
Accrued payroll and benefits	1,415,124	-	-	1,415,124
Deferred revenue	33,745	-	-	33,745
Notes payable, current portion	1,540,000	-	-	1,540,000
Total Current Liabilities	4,008,304	-	-	4,008,304
Notes payable, net of current portion	62,547,385	-	-	62,547,385
TOTAL LIABILITIES	66,555,689	-	-	66,555,689
NET ASSETS				
Without donor restrictions	13,587,108	1,200,270	-	14,787,378
With donor restrictions	797,677	-	-	797,677
TOTAL NET ASSETS	14,384,785	1,200,270	-	15,585,055
TOTAL LIABILITIES AND NET ASSETS	$ 80,940,474	$ 1,200,270	$ -	$ 82,140,744

D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION

CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended June 30, 2019

	D.C. Preparatory Academy	DC Prep Support Corp	Eliminations	Total
REVENUE AND SUPPORT				
Per pupil allocation	$ 37,399,024	$ -	$ -	$ 37,399,024
Private grants and contributions	1,391,439	175,000	(175,000)	1,391,439
Federal grants	1,850,798	-	-	1,850,798
Federal entitlements	1,706,375	-	-	1,706,375
Local government grants and program revenue	633,126	-	-	633,126
Other revenue	329,449	-	-	329,449
In-kind donations	214,857	-	-	214,857
Interest income	315,563	5,071	-	320,633
TOTAL REVENUE AND SUPPORT	43,840,632	180,071	(175,000)	43,845,702
EXPENSES				
Program Services	36,419,547	-	(175,000)	36,244,547
Supporting Services:				
Management and general	6,343,491	-	-	6,343,491
Development and fundraising	296,074	-	-	296,074
Total Supporting Services	6,639,564	-	-	6,639,564
TOTAL EXPENSES	43,059,112	-	(175,000)	42,884,112
Change in net assets before unrealized loss on interest rate swaps	781,520	180,071	-	961,591
Unrealized loss on interest rate swaps	(22,354)	-	-	(22,354)
CHANGE IN NET ASSETS	759,166	180,071	-	939,237
NET ASSETS, BEGINNING OF YEAR	13,625,619	1,020,199	-	14,645,818
NET ASSETS, END OF YEAR	$ 14,384,785	$ 1,200,270	$ -	$ 15,585,055

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, 2019, 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, 2019.

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 determine the 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

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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Marcum LLP

Washington, DC
October 29, 2019

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 each of DC Prep's major federal programs for the year ended June 30, 2019. DC Prep's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of DC Prep'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* (the 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 each major federal program. However, our audit does not provide a legal determination of DC Prep's compliance.

Continued

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 programs for the year ended June 30, 2019.

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, 2019

D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):			
Title I – Grants to Local Educational Agencies	84.010A	82010A/92010A	$ 1,041,975
Improving Teacher Quality State Grants	84.367A	82367A/92367A	233,442
Student Support and Academic Enrichment Program	84.424A	84.424A/92424A	60,672
Special Education Cluster (IDEA):			
Special Education – Grants to States	84.027A	82027A/92027A	365,287
Special Education – Preschool grants	84.173A	82173A/92173A	5,000
Special Education Cluster (IDEA) Subtotal			370,287
Education for Homeless Children and Youth	84.196	82196A/92196A	32,516
DC School Choice Incentive Program:			
Scholarships for Opportunity and Results (SOAR)	84.370C	U370C150002/U370C170001/U370C180001	256,255
Charter Schools:			
Bridging the Education Divide in Washington, DC	84.282M	N/A	480,841
Total U.S. Department of Education			2,475,988
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TANF Cluster:			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	144,425
Medicaid	93.768	N/A	22,000
Total U.S. Department of Health and Human Services			166,425
U.S. DEPARTMENT OF AGRICULTURE – FOOD AND NUTRITION SERVICE			
Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):			
Child Nutrition Cluster:			
National School Lunch Program (NSLP)	10.555	N/A	503,987
School Breakfast Program	10.553	N/A	288,034
NSLP-Fresh Fruit and Vegetables Program (Food Commodities)	10.XXX	N/A	51,082
Total U.S. Department of Agriculture			843,103
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 3,485,516**

See accompanying notes to this schedule.

D.C. PREPARATORY ACADEMY
AND
DC PREP SUPPORT CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of DC Prep under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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 statement of activities in the audited financial statements as follows:

Expenditures per schedule of federal awards	$ 3,485,514
E-rate program revenue	71,659
Total Federal Grants and Entitlements Reported in the Consolidated Statement of Activities	$ 3,557,173
Federal grants	$ 1,850,798
Federal entitlements	1,706,375
Total Federal Grants and Entitlements Reported in the Consolidated Statement of Activities	$ 3,557,173

D.C. PREPARATORY ACADEMY
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DC PREP SUPPORT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued 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
10.553 and 10.555	Child Nutrition Cluster
84.282M	Charter Schools

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

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

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

Continued

D.C. PREPARATORY ACADEMY
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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.

D.C. PREPARATORY ACADEMY
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SCHEDULE OF VENDOR CONTRACTS $25,000 AND OVER
For the Year Ended June 30, 2019

Vendor	Type of Service		Contract Value	Amount Paid	Conflict of Interest
CareFirst Blue Cross Blue Shield	Insurance	*	N/A	$ 2,155,193	No
End-to-End Solutions for Special Ed.	Special education services	*	N/A	$ 1,213,215	No
Revolution Foods	Food services		$ 1,050,845	$ 1,026,152	No
PMM Companies	Janitorial and facilities management services		$ 534,051	$ 532,862	No
Pepco	Electricity	*	N/A	$ 381,072	No
DC Public Charter School Board	Authorizer fee	*	N/A	$ 362,781	No
EdOps	Accounting and facilities finance support services	*	N/A	$ 320,647	No
Amazon.com	Books, supplies and materials	*	N/A	$ 276,276	No
Swing Education Inc.	Instructional support services	*	N/A	$ 243,935	No
The Hartford Financial Services Group, Inc.	Insurance		$ 174,565	$ 171,165	No
Staples	Books, supplies and materials	*	N/A	$ 148,009	No
Traditional Expressions, LLC	Instructional support services		$ 135,520	$ 138,955	No
Reliance Standard Life Insurance Company	Insurance	*	N/A	$ 137,823	No
Smart Cleaning Solutions Inc.	Janitorial and facilities management services		$ 139,164	$ 134,655	No
Metlife Group Benefits	Insurance	*	N/A	$ 133,249	No
DC Water and Sewer Authority	Water and sewage services	*	N/A	$ 108,264	No
The Ultimate Software Group, Inc.	HRIS and payroll services		$ 105,000	$ 102,626	No
Shanahan Law Firm LLC, The	Legal services (retainer)		$ 96,000	$ 96,000	No
Achievement Network	Student assessment support and services		$ 90,000	$ 90,182	No
CDW-G	IT products and services	*	N/A	$ 88,923	No
Dell, Inc.	IT products and services	*	N/A	$ 85,319	No
Young Weeden, LLC	Special education services	*	N/A	$ 69,392	No
Copier Workshop, Inc	Copier rental services	*	N/A	$ 68,817	No
Marcum LLP	Financial audit services		$ 61,400	$ 65,461	No
PRO-AIR	Mechanical systems and plumbing services	*	N/A	$ 65,424	No
Biz IT Group	IT management services	*	N/A	$ 61,255	No
Teach for America	Talent recruitment and development services	*	N/A	$ 59,060	No
School Outfitters	Furniture	*	N/A	$ 55,646	No
Limbach Company, LLC	Mechanical systems equipment and support	*	N/A	$ 55,227	No
Lavinia Group LLC	Instructional support services	*	N/A	$ 53,818	No
School Leader Lab	Instructional support services		$ 40,500	$ 52,500	No
DC Treasurer	Internet services	*	N/A	$ 52,138	No
Melodie Barron	Instructional support services	*	N/A	$ 50,600	No
Verizon	Phone and internet services	*	N/A	$ 49,679	No
The Noble Story Group	Instructional support services	*	N/A	$ 47,250	No
Edgewood Commons	Parking (rent)		$ 49,500	$ 47,250	No
Enriched Schools	Instructional support services	*	N/A	$ 44,337	No
Growth MindED Consulting	Instructional support services	*	N/A	$ 40,308	No
Northwest Evaluation Association (NWEA)	Assessment software and services	*	N/A	$ 38,350	No
Washington Gas	Natural gas services	*	N/A	$ 37,589	No
Wells Fargo Equipment Finance	Equipment financing services	*	N/A	$ 35,567	No
Stanley Convergent Security Solutions	Security system services	*	N/A	$ 34,662	No
Deadwyler Transportation	Transportation services	*	N/A	$ 33,755	No
KIPP DC	Talent recruitment and development services	*	N/A	$ 33,750	No
Breakthrough Leadership Consulting, LLC	Instructional support services		$ 33,200	$ 33,600	No
Fidelifacts	Background checks	*	N/A	$ 30,784	No
Republic Services 411	Waste management services	*	N/A	$ 28,111	No
Roto-Rooter Services Company	Plumbing and drainage services	*	N/A	$ 27,992	No
PowerSchool Group LLC	Education technology software and services	*	N/A	$ 27,282	No
RTZ Audio-Visual Associates Inc.	IT products and services (classroom projectors)	*	N/A	$ 26,543	No
Dreambox Learning	Math technology product and services	*	N/A	$ 26,225	No
Lexia Learning Systems	Reading technology product and services		$ 25,500	$ 25,500	No
Anythree.com	IT management services		$ 54,000	$ -	No
Revolution Foods	Food services		$ 1,170,648	$ -	No
EdOps	Accounting and facilities finance support services	*	N/A	$ -	No
Smart Cleaning Solutions Inc.	Janitorial and facilities management services		$ 146,124	$ -	No
Teach for America	Talent recruitment and development services	*	N/A	$ -	No
Capital Teaching Residency	Talent recruitment and development services	*	N/A	$ -	No
The Noble Story Group	Instructional support services		$ 38,975	$ -	No
Schoolzilla	Education technology software and services		$ 37,779	$ -	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
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NOTE TO SCHEDULE OF VENDOR CONTRACTS $25,000 AND ABOVE
For the Year Ended June 30, 2019

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 2019 Audit Guidelines, Section Audit Reports – *Audit Package*.