

DIGITAL PIONEERS ACADEMY
PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

KENDALL, PREBOLA AND JONES

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Digital Pioneers Academy
Public Charter School
709 12th Street, SE
Washington, DC 20003

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters**Other Information**

We have audited the financial statements of the Digital Pioneers Academy Public Charter School as of and for the years ended June 30, 2020 and 2019, and our report thereon dated November 20, 2020, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the Digital Pioneers Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Digital Pioneers Academy Public Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Digital Pioneers Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 20, 2020

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 904,524	\$ 107,398
Accounts Receivable	137,188	6,731
Promises Receivable	300,000	305,762
Prepaid Expenses	<u>78,621</u>	<u>68,216</u>
Total Current Assets	<u>\$ 1,420,333</u>	<u>\$ 488,107</u>
<u>Fixed Assets:</u>		
Furniture, Fixtures and Equipment	\$ 407,059	\$ 223,260
Computers	197,597	103,502
Classroom Equipment	25,360	25,360
Leasehold Improvements	600,647	535,756
Less: Accumulated Depreciation and Amortization	<u>(293,598)</u>	<u>(585,057)</u>
Total Fixed Assets	<u>\$ 937,065</u>	<u>\$ 302,821</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 20,000</u>	<u>\$ 12,886</u>
Total Other Assets	<u>\$ 20,000</u>	<u>\$ 12,886</u>
TOTAL ASSETS	<u>\$ 2,377,398</u>	<u>\$ 803,814</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 338,233	\$ 222,371
Interest Payable	1,997	4,283
Accrued Salaries	-	23,813
Payroll Taxes and Related Liabilities	-	4,408
Refundable Advance	440,600	-
Deferred Revenue - Current Portion	3,400	3,825
Current Portion - Loans Payable	6,260	377,731
Current Portion - Financing Lease Payable	<u>6,810</u>	<u>7,033</u>
Total Current Liabilities	<u>\$ 797,300</u>	<u>\$ 643,464</u>
<u>Long-Term Liabilities:</u>		
Deferred Revenue	\$ 850	\$ 3,825
Deferred Rent Abatement	445,108	-
Financing Lease Payable	24,087	30,566
Loans Payable	929,875	-
Less: Current Portion	<u>(13,070)</u>	<u>(7,033)</u>
Total Long-Term Liabilities	<u>\$ 1,386,850</u>	<u>\$ 27,358</u>
Total Liabilities	<u>\$ 2,184,150</u>	<u>\$ 670,822</u>
<u>Net Assets:</u>		
Without Donor Restrictions (Deficit)	\$ (106,752)	\$ (117,008)
With Donor Restrictions	<u>300,000</u>	<u>250,000</u>
Total Net Assets	<u>\$ 193,248</u>	<u>\$ 132,992</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,377,398</u>	<u>\$ 803,814</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains, and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 4,007,208	\$ -	\$ 4,007,208	\$ 1,792,212	\$ -	\$ 1,792,212
Tuition - Facilities Allowance	800,400	-	800,400	391,560	-	391,560
Contributions - Federal Awards	529,666	-	529,666	781,317	-	781,317
Contributions - State Awards	41,300	-	41,300	5,396	-	5,396
Foundation Grants	849,820	303,649	1,153,469	367,500	502,500	870,000
Contributions	24,578	-	24,578	8,487	12,500	20,987
Student Activity Fees	8,801	-	8,801	-	-	-
Donated Services	-	-	-	18,000	-	18,000
Interest	5,297	-	5,297	3,768	-	3,768
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>253,649</u>	<u>(253,649)</u>	<u>-</u>	<u>450,057</u>	<u>(450,057)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 6,520,719</u>	<u>\$ 50,000</u>	<u>\$ 6,570,719</u>	<u>\$ 3,818,297</u>	<u>\$ 64,943</u>	<u>\$ 3,883,240</u>
<u>Expenses and Losses:</u>						
Educational Services	\$ 5,673,064	\$ -	\$ 5,673,064	\$ 3,800,115	\$ -	\$ 3,800,115
General and Administrative	814,852	-	814,852	482,582	-	482,582
Fundraising	<u>22,547</u>	<u>-</u>	<u>22,547</u>	<u>12,409</u>	<u>-</u>	<u>12,409</u>
Total Expenses	<u>\$ 6,510,463</u>	<u>\$ -</u>	<u>\$ 6,510,463</u>	<u>\$ 4,295,106</u>	<u>\$ -</u>	<u>\$ 4,295,106</u>
Loss on Abandonment of Furniture, Equipment and Leasehold Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,316</u>	<u>-</u>	<u>70,316</u>
Total Expenses and Losses	<u>\$ 6,510,463</u>	<u>\$ -</u>	<u>\$ 6,510,463</u>	<u>\$ 4,365,422</u>	<u>\$ -</u>	<u>\$ 4,365,422</u>
Changes in Net Assets	\$ 10,256	\$ 50,000	\$ 60,256	\$ (547,125)	\$ 64,943	\$ (482,182)
Net Assets, Beginning of Year	<u>(117,008)</u>	<u>250,000</u>	<u>132,992</u>	<u>430,117</u>	<u>185,057</u>	<u>615,174</u>
Net Assets, End of Year (Deficit)	<u>\$ (106,752)</u>	<u>\$ 300,000</u>	<u>\$ 193,248</u>	<u>\$ (117,008)</u>	<u>\$ 250,000</u>	<u>\$ 132,992</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Leadership Salaries	\$ 273,918	\$ 70,575	\$ 191,580	\$ 11,763	\$ 654,500	\$ 511,170	\$ 136,481	\$ 6,849
Teaching Staff Salaries	1,413,503	1,413,503	-	-	738,945	738,945	-	-
Student and Family Support Salaries	736,674	736,674	-	-	208,979	208,979	-	-
Business and Operations Salaries	328,997	191,629	134,968	2,400	94,708	92,938	1,770	-
Employee Benefits	187,024	162,184	23,757	1,083	128,796	117,784	10,492	520
Payroll Taxes	237,470	205,930	30,165	1,375	140,628	128,605	11,456	567
Staff Development Costs	326,247	282,916	41,442	1,889	256,190	234,286	20,870	1,034
Other Staff-Related Expenses	<u>229,792</u>	<u>211,756</u>	<u>17,632</u>	<u>404</u>	<u>180,454</u>	<u>165,026</u>	<u>14,700</u>	<u>728</u>
Total Personnel, Salaries and Benefits	<u>\$ 3,733,625</u>	<u>\$ 3,275,167</u>	<u>\$ 439,544</u>	<u>\$ 18,914</u>	<u>\$ 2,403,200</u>	<u>\$ 2,197,733</u>	<u>\$ 195,769</u>	<u>\$ 9,698</u>
<u>Direct Student Costs:</u>								
Textbooks and Assessment Materials	\$ 47,899	\$ 47,899	\$ -	\$ -	\$ 21,250	\$ 21,250	\$ -	\$ -
Food Service	182,616	182,616	-	-	202,406	202,406	-	-
Student Supplies and Materials	168,116	168,116	-	-	49,320	49,320	-	-
Contracted Instruction Fees	177,001	177,001	-	-	201,997	201,997	-	-
Special Education Contracted Services	89,713	89,713	-	-	41,041	41,041	-	-
Field Trips	21,868	21,868	-	-	44,498	44,498	-	-
Other Student Costs	<u>24,601</u>	<u>24,601</u>	<u>-</u>	<u>-</u>	<u>123,607</u>	<u>123,607</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 711,814</u>	<u>\$ 711,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 684,119</u>	<u>\$ 684,119</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 939,275	\$ 853,782	\$ 83,576	\$ 1,917	\$ 100,957	\$ 95,332	\$ 5,318	\$ 307
Contracted Building Services	117,938	107,203	10,494	241	87,611	82,730	4,615	266
Utilities	197,800	179,796	17,600	404	11,358	10,725	598	35
Maintenance and Improvements	32,182	29,252	2,864	66	15,279	14,428	805	46
Interest Expense	39,208	35,639	3,489	80	25,651	-	25,651	-
Depreciation - Building	<u>123,024</u>	<u>111,826</u>	<u>10,947</u>	<u>251</u>	<u>446,463</u>	<u>421,589</u>	<u>23,518</u>	<u>1,356</u>
Total Occupancy Costs	<u>\$ 1,449,427</u>	<u>\$ 1,317,498</u>	<u>\$ 128,970</u>	<u>\$ 2,959</u>	<u>\$ 687,319</u>	<u>\$ 624,804</u>	<u>\$ 60,505</u>	<u>\$ 2,010</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Equipment Rental and Maintenance	\$ 21,781	\$ 19,799	\$ 1,938	\$ 44	\$ 14,924	\$ 14,093	\$ 786	\$ 45
Office Supplies and Materials	43,007	39,092	3,827	88	105,494	99,617	5,556	321
Postage and Shipping	52	47	5	-	1,503	1,419	79	5
Computer and Related	67,620	61,465	6,017	138	31,802	27,032	4,770	-
Professional Services	217,803	17,640	200,163	-	193,954	14,540	179,414	-
Office Printing and Copying	4,274	3,885	380	9	6,538	6,174	344	20
Telecommunications	33,839	30,759	3,011	69	18,371	17,347	968	56
Staff Travel	<u>8,877</u>	<u>8,069</u>	<u>790</u>	<u>18</u>	<u>15,368</u>	<u>14,512</u>	<u>809</u>	<u>47</u>
Total Office Expenses	<u>\$ 397,253</u>	<u>\$ 180,756</u>	<u>\$ 216,131</u>	<u>\$ 366</u>	<u>\$ 387,954</u>	<u>\$ 194,734</u>	<u>\$ 192,726</u>	<u>\$ 494</u>
<u>General Expenses:</u>								
Authorizer Fee	\$ 48,455	\$ 41,187	\$ 7,268	\$ -	\$ 26,766	\$ 22,751	\$ 4,015	\$ -
Insurance	29,628	26,932	2,636	60	17,305	-	17,305	-
Moving Expenses	9,476	9,476	-	-	11,500	11,500	-	-
Depreciation Expense	121,272	110,234	10,790	248	68,278	64,474	3,597	207
Other General Expenses	<u>9,513</u>	<u>-</u>	<u>9,513</u>	<u>-</u>	<u>8,665</u>	<u>-</u>	<u>8,665</u>	<u>-</u>
Total General Expenses	<u>\$ 218,344</u>	<u>\$ 187,829</u>	<u>\$ 30,207</u>	<u>\$ 308</u>	<u>\$ 132,514</u>	<u>\$ 98,725</u>	<u>\$ 33,582</u>	<u>\$ 207</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,510,463</u>	<u>\$ 5,673,064</u>	<u>\$ 814,852</u>	<u>\$ 22,547</u>	<u>\$ 4,295,106</u>	<u>\$ 3,800,115</u>	<u>\$ 482,582</u>	<u>\$ 12,409</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 60,256	\$ (482,182)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	244,296	514,741
Unusual Item - Loss on Fixed Asset Abandonment	-	70,316
Loan Fees Amortization - Interest	10,305	3,000
Accounts Receivable - (Increase)/Decrease	(130,457)	(6,731)
Promises Receivable - (Increase)/Decrease	5,762	(75,129)
Prepaid Expenses - (Increase)/Decrease	(10,405)	(59,840)
Deposits - (Increase)/Decrease	(7,114)	3,847
Accounts Payable and Accrued Expenses - Increase/(Decrease)	115,862	100,344
Interest Payable - Increase/(Decrease)	(2,286)	4,283
Accrued Salaries - Increase/(Decrease)	(23,813)	23,813
Payroll Taxes and Related Liabilities - Increase/(Decrease)	(4,408)	4,408
Refundable Advance - Increase/(Decrease)	440,600	-
Deferred Revenues - Increase/(Decrease)	(3,400)	4,306
Deferred Rent Abatement - Increase/(Decrease)	<u>445,108</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>\$ 1,140,306</u>	<u>\$ 105,176</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (878,541)</u>	<u>\$ (846,502)</u>
Net Cash Flows from Investing Activities	<u>\$ (878,541)</u>	<u>\$ (846,502)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds on Financing Lease	\$ -	\$ 34,709
Payments made on Financing Lease	(6,478)	(4,143)
Proceeds on Loans	966,400	600,000
Principal Payments on Loan	(380,731)	(219,269)
Payments for Loan Financing Costs	<u>(43,830)</u>	<u>(6,000)</u>
Net Cash Flows from Financing Activities	<u>\$ 535,361</u>	<u>\$ 405,297</u>
Net (Decrease) in Cash and Cash Equivalents	\$ 797,126	\$ (336,029)
Cash and Cash Equivalents, Beginning of Year	<u>107,398</u>	<u>443,427</u>
Cash and Cash Equivalents, End of Year	<u>\$ 904,524</u>	<u>\$ 107,398</u>

Supplemental Disclosures:

- a) There were no income taxes paid during the years ended June 30, 2020 or 2019.
- b) Interest in the amount of \$31,190 and \$18,368 was paid during the years ended June 30, 2020 and 2019, respectively.

Non-Cash Activities:

- a) During the year ended June 30, 2019, the Charter School purchased a Toshiba Copier in the amount of \$34,709 by financing through a lease.

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Digital Pioneers Academy Public Charter School (the Charter School), a District of Columbia Not-for-Profit organization, was incorporated on January 25, 2017, exclusively for educational purposes. The Charter School's mission is to develop the next generation of innovators. The Charter School prepares students to meet or exceed the highest academic standards, while cultivating the strength of character necessary to both graduate from four-year colleges and thrive in 21st century careers.

The Charter School's primary sources of support are local appropriations for charter schools from the District of Columbia. The Charter School also receives federal entitlement funding through the Office of the State Superintendent of Education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

Contributions

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Barriers include and are not limited to:

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

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

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

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Federal and Charter School Funding

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes:

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions to the Charter School qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The Charter School did not have any net unrelated business income for the year ended June 30, 2020.

The Charter School is also exempt from District of Columbia sales and personal property taxes.

(d) Government Grants:

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

(e) Net Assets:

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

Net Assets without Donor Restrictions

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

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions

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

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General Operations - Time Restricted	\$ 300,000	\$ 250,000
Total Net Assets Available	<u>\$ 300,000</u>	<u>\$ 250,000</u>

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General Operations - Time Restricted	\$ 250,000	\$ 250,000
Covid-19 Emergency Use Funds	3,649	-
Breakthrough Schools - Time Restricted	-	185,057
Wind Turbine Competition	-	12,500
Summer Camp	-	<u>2,500</u>
Total Net Assets Released from Restrictions	<u>\$ 253,649</u>	<u>\$ 450,057</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. A number of volunteers donated significant amounts of their time in the Charter School's supporting services for which no value has been assigned. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

The estimated value of donated services has been recorded in the financial statements as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Legal Services	\$ _____ -	\$ <u>18,000</u>
Total Donated Services	\$ <u>_____ -</u>	\$ <u>18,000</u>

(g) Basic Programs:

Effective July 1, 2018, Digital Pioneers Academy (DPA) entered into a fifteen-year Charter School Agreement with the District of Columbia Public Charter School Board. The Charter School's first school year of operation was fall 2018 to spring 2019 and opened with 120 6th graders. In 2019-2020, DPA served 6th and 7th graders. DPA will ultimately be a college preparatory middle and high school (6th - 12th grade) for students from Ward 7 and 8 in Washington, DC. While adding one grade per year, DPA provides a unique, personalized educational experience that integrates best practices from schools across the country, preparing students to be innovators and active citizens in our technology-driven world.

DPA's learning model leverages a curriculum built around traditional subjects with the critical inclusion of Computer Science as a core content area. Through core classes and personalized, project-based work, students will develop computational thinking skills, a set of capabilities that can be flexibly applied to succeed in four-year college and in a variety of fields. In addition to rigorous academics and project-based learning, DPA's innovative approach focuses on character building, diverse out-of-school experiences ("expeditions"), and developing the social and emotional capacities of students.

Computer science is not just about teaching students to code. As the foundation for all computing, computer science is defined as "the study of computers and algorithmic processes, including their principles, their hardware and software designs, their applications, and their impact on society."

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Through helping students understand why and how computers work, computer science provides the basis for a deep understanding of computer use and the relevant rights, responsibilities, and applications. Computer science builds on computer literacy, educational technology, digital citizenship, and information technology.

(h) Functional Expense Allocation Policies and Procedures:

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

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

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

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

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including staff development, staff recruiting, and staff events are generally allocated between general and administrative and program functions based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

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

(j) Recognition of Salary Expense:

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

(k) Fair Value of Certain Financial Instruments:

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

(l) Reclassifications:

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

(m) Change in Accounting Principles:

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

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

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

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 904,524	\$ 107,398
Accounts Receivable	137,188	6,731
Promises Receivable	300,000	305,762
Total Financial Assets	<u>\$ 1,341,712</u>	<u>\$ 419,891</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Contractual Restriction - Copier Buy Out	\$ 850	\$ 3,825
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,340,862</u>	<u>\$ 416,066</u>

As part of the Charter School’s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

4. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Checking Accounts - Interest Bearing	\$ 220,327	\$ 90,417
Checking Accounts - Non-Interest Bearing	684,197	16,931
Cash on Hand	<u> -</u>	<u> 50</u>
Total	<u>\$ 904,524</u>	<u>\$ 107,398</u>

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

The Charter School maintains its cash in one financial institution. These cash accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per banking institution. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2020, \$805,776 of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

6. ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Property Tax Refund	\$ 83,052	\$ -
E-rate	33,320	-
Per Pupil Funding	17,928	6,731
Reimbursable Expense	<u> 2,888</u>	<u> -</u>
Total Accounts Receivable	<u>\$ 137,188</u>	<u>\$ 6,731</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Accounts Receivable (Continued)

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

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

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

Promises Receivable

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General - Unrestricted	\$ 300,000	\$ 262,500
Charter Schools Program	-	21,654
National School Lunch and Breakfast Program	-	17,631
DC School Choice Incentive Program	-	2,000
Child and Adult Care Food Program	-	1,298
Healthy School Act	-	<u>679</u>
Total Promises Receivable	<u>\$ 300,000</u>	<u>\$ 305,762</u>

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributions comprising the Charter School's contributor base and their dispersion across different industries and donor backgrounds. However, as of June 30, 2020 and 2019, 100% and 82%, respectively, of the Charter School's contributions receivable (\$300,000 and \$250,000) was due from a single donor. The Digital Pioneers Academy Public Charter School does not believe they are at any significant credit risk related to this promise made based on historical collection and the organizational relationship with these donors.

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

	<u>June 30, 2020</u>
CARES - School Emergency Relief	\$ 235,218
Charter School Start-up	100,000
Charter Schools Program - Title Vb	59,625
Elementary and Secondary Education Act	<u>21,308</u>
Total Conditional Promises	<u>\$ 416,151</u>

7. FIXED ASSETS:

Furniture and equipment, and leasehold improvements are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated or amortized over the estimated useful lives of the assets. In addition, bulk purchases of assets with unit costs of less than \$1,000, but a total monetary value for a one-time purchase exceeding \$5,000, will be capitalized as a group and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements have been amortized over the remaining term of the rental lease agreement. Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$244,296 and \$514,741, respectively. Maintenance and repairs are charged to expenses as incurred.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

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

June 30, 2020

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	Life of Lease	\$ 600,647	\$ 33,731	\$ 566,916
Furniture, Fixtures and Equipment	7 Years	407,059	148,684	258,375
Computers	3 Years	197,597	96,836	100,761
Classroom Equipment	3 Years	<u>25,360</u>	<u>14,347</u>	<u>11,013</u>
Total Fixed Assets		<u>\$ 1,230,663</u>	<u>\$ 293,598</u>	<u>\$ 937,065</u>

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	1 Year	\$ 535,756	\$ 446,463	\$ 89,293
Furniture, Fixtures and Equipment	7 Years	223,260	99,085	124,175
Computers	3 Years	103,502	33,616	69,886
Classroom Equipment	3 Years	<u>25,360</u>	<u>5,893</u>	<u>19,467</u>
Total Fixed Assets		<u>\$ 887,878</u>	<u>\$ 585,057</u>	<u>\$ 302,821</u>

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

Fixed Asset Impairment

During the year ending June 30, 2019, the Charter School agreed to relocate from its school facility at 2220 Branch Avenue, SE, Washington, DC, to a facility located at 709 12th Street, SE, Washington, DC. The Charter School moved into this new location on August 2, 2019. As a result of this move, the Charter School has recognized a loss on the abandonment of certain furniture, equipment and leasehold improvements in its financial statements for the year ended June 30, 2019, in the amount of \$70,316.

8. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM: (Continued)

Management of Digital Pioneers Academy anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds are being accounted for as a refundable advance and will be recognized as contribution revenue once the qualified expenses are incurred. The Organization applied for and received a total amount of loan proceeds in the amount of \$440,600 on May 6, 2020. As of June 30, 2020, an amount of \$440,600 has been recognized as a refundable advance and will be expended subsequent to year end.

9. DEFERRED RENT ABATEMENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease including a rent abatement period and/or fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent abatement liability in the accompanying statement of financial position.

The Digital Pioneers Academy Public Charter School entered into a lease agreement with ESP Warehouse, LLC, effective for a fifteen-year period (180 months) commencing on July 1, 2019, and ending on June 30, 2034, for the rental of two buildings located at 709 12th Street, SE, Washington, DC. There is an annual escalation clause of two and three-quarter percent (2.75%) of the prior year base rent. As of June 30, 2020, \$445,107 of future rent payments are reflected as a liability to adjust the actual rent paid to conform to the straight-line basis.

10. FINANCING LEASE PAYABLE:

On September 14, 2018, the Charter School entered into a financing lease for the purchase of a Toshiba 7506ACT photocopier. The total amount financed through the financing lease was \$34,709, payable over thirty-six (60) months with a monthly required payment of \$655. Maturity is scheduled for September 15, 2023. Interest expense was \$1,381 and \$1,097, respectively, for the years ended June 30, 2020 and 2019, using an implicit rate of 5.00%. The balance of the financing lease debt was \$24,087 and \$30,566 at June 30, 2020 and 2019, respectively. The Charter School is committed under this financing lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 7,860	\$ 6,810	\$ 1,050
2022	7,860	7,159	701
2023	7,860	7,525	335
2024	<u>2,620</u>	<u>2,593</u>	<u>27</u>
Total	<u>\$ 26,200</u>	<u>\$ 24,087</u>	<u>\$ 2,113</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. FINANCING LEASE PAYABLE: (Continued)

The lease is secured by the photocopier equipment and is presented as part of the carrying balance of fixed assets. For the years ended June 30, 2020 and 2019, depreciation expense in the amount of \$6,942 and \$5,206, respectively, on the photocopier has been included in depreciation expense. Following is a summary of assets held under the financing lease:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Photocopier - Cost	\$ 34,709	\$ 34,709
Less: Accumulated Depreciation	<u>(12,148)</u>	<u>(5,206)</u>
Net Book Value Leased Equipment	<u>\$ 22,561</u>	<u>\$ 29,503</u>

11. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract dated June 25, 2018, provided for a 15-year charter unless sooner terminated in accordance with the contract. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Digital Pioneers Academy Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the Digital Pioneers Academy Public Charter School's charter every five years, which should occur during 2023. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 19/20 and 18/19 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2020 and 2019, the Charter School incurred \$48,455 and \$26,766, respectively, in administrative fees.

The charter contract provides that the Digital Pioneers Academy Public Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2020, was not permitted to be greater than 240 students. Audit enrollment for the 2019/2020 year was 240 students and enrollment for the 2018/2019 year was 120 students.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2020, the per-student rate was \$11,858 for the educational allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per-student rate was \$11,511 for the educational allotment and \$3,263 for the facility allotment. Additional allotments were made for Special Education Services and At-Risk Students. Per-pupil funding for the years ended June 30, 2020 and 2019 was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General Education	\$ 2,846,016	\$ 1,381,277
Special Education	708,975	222,331
At Risk Students	407,639	188,604
Facilities Allowance	800,400	391,560
One Time Additional Payment	<u>44,578</u>	<u>-</u>
Total	<u>\$ 4,807,608</u>	<u>\$ 2,183,772</u>

13. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Elementary and Secondary Education, Title I	\$ 187,171	\$ 74,089
Charter Schools Program, Title V	123,304	523,849
National School Lunch and Breakfast Program	105,569	110,673
Individuals with Disabilities Education Act	49,259	25,455
Elementary and Secondary Education, Title II	38,638	14,565
Economic Injury Disaster Loan	10,000	-
Elementary and Secondary Education, Title IV	9,169	10,000
Donated Commodities	6,556	-
Child and Adult Care Food Program	-	11,486
DC School Choice Incentive Program (SOAR)	<u>-</u>	<u>11,200</u>
Total	<u>\$ 529,666</u>	<u>\$ 781,317</u>

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs and (2) encourage the domestic consumption of nutritious agricultural commodities.

14. PROMISSORY NOTES:

Office of the State Superintendent of Education (OSSE)

On July 5, 2018, the Charter School entered into a promissory note with the Office of the State Superintendent of Education for the District of Columbia (OSSE) in the amount of \$600,000 bearing interest at a fixed rate of 4.25%. The loan proceeds were utilized for the improvement and reconfiguration of the property located at 2220 Branch Avenue, Washington, DC, 20020. This loan called for quarterly payments of principal and interest in the amount of \$78,847 over a two-year period beginning September 30, 2018. A payment of any remaining outstanding principal and unpaid interest was required at the maturity date on June 30, 2020. Interest expense related to this note for the years ended June 30, 2020 and 2019 was \$2,564 and \$21,554, respectively. The balance of this loan at June 30, 2020 and 2019 was \$0 and \$380,731, respectively.

On September 6, 2019, the Office of the State Superintendent of Education refinanced the remaining balance on the original loan in the amount of \$306,168. In addition to the refinancing of the old loan, Digital Pioneers Academy borrowed an additional amount of \$510,232 for the purpose of renovating a school facility located at 709 12th Street, SE, Washington, DC. OSSE maintains a security interest in the Charter School's revenues. The new loan is for a total amount of \$816,400 and is payable over the next five years. Interest expense related to this note for the year ended June 30, 2020, was \$24,958 and the balance of this loan was \$816,400 at June 30, 2020.

There are several loan covenants related to this loan. These covenants include the debt service coverage ratio and the unrestricted liquidity to indebtedness for money borrowed ratio.

Future minimum required payments for the next five years on this loan is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 45,501	\$ 15,026	\$ 30,475
2022	50,463	20,700	29,763
2023	50,463	21,488	28,975
2024	50,463	22,305	28,158
2025	<u>743,789</u>	<u>736,881</u>	<u>6,908</u>
Total	<u>\$ 940,679</u>	<u>\$ 816,400</u>	<u>\$ 124,279</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. PROMISSORY NOTES: (Continued)

Debt Issuance Costs

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the statement of functional expenses. Long-term debt at June 30, 2020 and 2019, consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Notes Payable	\$ 816,400	\$ 380,731
Less: Unamortized Debt Issuance Costs	<u>(36,525)</u>	<u>(3,000)</u>
Total	<u>\$ 779,875</u>	<u>\$ 377,731</u>

Charter School Growth Fund

On May 4, 2020, the Charter School entered into a loan with the Charter School Growth Fund in the amount of \$150,000. This loan was for the purpose of providing funds to support distance learning during the time of Covid pandemic including the purchase of technology, internet connectivity and technology support. This loan was provided at zero percent (0%) interest and has a maturity date of November 30, 2021, at which time the full amount of the borrowing is deemed payable. This loan is subordinate to the loan provided by the Office of the State Superintendent of Education for the District of Columbia (OSSE). The outstanding balance at June 30, 2020, was \$150,000.

15. COMMITMENTS:

Building Lease - 2220 Branch Avenue

The Digital Pioneers Academy Public Charter School entered into a lease agreement with East Washington Heights Baptist Church effective for a 12 month period commencing on August 1, 2018, and expiring on July 31, 2019, (extended through August 31, 2019) for the rental of a portion of a building located at 2220 Branch Avenue, SE, Washington, DC. Monthly lease payments of \$7,083 began on August 1, 2018. As an additional requirement of this lease agreement, a rental security deposit in the amount of \$7,083 was required. Rental expense for the years ended June 30, 2020 and 2019 was \$14,167 and \$78,417, respectively. Additional operating expenses in the amount of \$2,925 was paid during the year ended June 30, 2020.

Building Lease - 709 12th Street

The Digital Pioneers Academy Public Charter School entered into a lease agreement with ESP Warehouse, LLC, effective for a fifteen-year period commencing on July 1, 2019, and ending on June 30, 2034, for the rental of two buildings located at 709 12th Street, SE, Washington, DC. The Charter School has the option to extend the term of the lease for up to two five consecutive year terms. Monthly lease payments of \$40,000 began on July 1, 2019. The lease calls for a yearly escalation effective on the first day of July. The Charter School is also responsible for certain operating expenses. Additional operating expenses in the amount of \$194,875 was paid during the year ended June 30, 2020.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. COMMITMENTS: (Continued)

Building Lease - 709 12th Street (Continued)

As an additional requirement of this lease agreement, a rental security deposit in the amount equal to four months' basic rent is required. Rent expense for the year ended June 30, 2020, was \$480,000. Future minimum rental lease payments due under this lease along with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Payment</u>
2021	\$ 925,108	\$ 445,108	\$ 480,000
2022	925,108	85,108	840,000
2023	925,108	62,008	863,100
2024	925,108	38,273	886,835
2025	925,108	13,885	911,223
Thereafter	<u>8,325,966</u>	<u>(1,089,490)</u>	<u>9,415,456</u>
Totals	<u>\$ 12,951,506</u>	<u>\$ (445,108)</u>	<u>\$ 13,396,614</u>

Operating Lease - Photocopier

The Charter School entered into an operating lease with Marlin Business Bank, on June 20, 2018 for the rental of two Toshiba photocopiers. This lease calls for forty (48) monthly payments of \$505, commencing on July 20, 2018. Rental expense for the years ending June 30, 2020 and 2019 was \$6,060 for both years. Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 6,060
2022	<u>6,060</u>
Total	<u>\$ 12,120</u>

16. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2020 and 2019, seventy-three percent (73%) and fifty-seven percent (57%), respectively, of total support, excluding donated services, was received from the District of Columbia in the form of per pupil funding.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. CONCENTRATIONS: (Continued)

Revenues (Continued)

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education passed through the Office of the DC Office of State Superintendent of Education. The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

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

17. CONTINGENCIES:

Compliance and Accountability

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

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

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

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

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. CONTINGENCIES: (Continued)

Litigation

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no significant pending legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

Pandemic

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

18. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognitions or disclosure through November 20, 2020, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

19. RELATED PARTY TRANSACTIONS:

Board of Directors

The CEO and Principal of Digital Pioneers Academy serves as a member of the board of directors of a not-for-profit 501(c)(3) corporation for which a board member of the Digital Pioneers Academy is the co-founder and current senior fellow.

The CEO and Principal of Digital Pioneers Academy and the past Executive Director of the DC Public Charter School Board served jointly as officers on the board of a 501(c)(3) non-profit membership organization dedicated to the establishment and operation of quality charter schools through responsible oversight in the public interest.

Contributions

Various board members of the Digital Pioneers Academy provided contributions to the Charter School in the amount of \$500 and \$13,350 during the years ended June 30, 2020 and 2019, respectively.

Guarantee of Indebtedness

The Charter School utilizes a credit card issued by Capital One Bank for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a credit limit of \$45,000, however the debt is guaranteed by the Executive Director of the Charter School.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

20. FUNDRAISING:

During the years ended June 30, 2020 and 2019, expenses incurred for the purpose of fundraising were \$22,547 and \$12,409, respectively.

21. RETIREMENT PLAN:

401(k) Profit Sharing Plan

The Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan, which is currently administered by ADP, LLC. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. The Charter School is required to make employer non-elective safe harbor matching contributions in an amount equal to 50% of the first 6% of the employee's elective deferral. Participants are 100% vested in their contributions. Employer contributions are 100% vested after 3 years of service. Authorized entry dates into the plan are the first of each month following the date that the eligibility requirements are met. There is no unfunded past service liability. The Charter School's contributions to the plan consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Safe Harbor	\$ 53,974	\$ 36,467
Profit Sharing	-	-
Total	\$ 53,974	\$ 36,467

22. EMPLOYEE BENEFITS:

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Social Security/Medicare	\$ 205,064	\$ 128,605
Health Insurance	114,788	63,986
Retirement	53,974	36,467
Unemployment	20,820	12,023
Family Leave Tax	11,586	-
Disability and Life Insurance	7,179	13,454
Workers Compensation	6,672	5,709
Dental and Vision Insurance	4,411	6,461
Flexible Spending Fees	-	2,719
Total	\$ 424,494	\$ 269,424

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS: (Continued)

Flexible Benefits Plan

The Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health insurance premiums and dependent care benefits.

23. UNUSUAL AND INFREQUENT ITEM:

Because of Digital Pioneers Academy's growth model, the Charter School had to relocate from its school facility at 2220 Branch Avenue, SE, Washington, DC, to a facility located at 709 12th Street, SE, Washington, DC. The Charter School was approved within its charter to expand its student enrollment from 120 students to 240 students, however the facility located at Branch Avenue was not certified to handle the increase in occupancy. The Charter School moved into the new location on August 2, 2019. Certain leasehold improvements and equipment were unable to be transferred to the new location. As a result of this move, the Charter School has recognized a loss on the abandonment of certain furniture, equipment and leasehold improvements in its financial statements for the year ended June 30, 2019, in the amount of \$70,316.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Digital Pioneers Academy
Public Charter School
709 12th Street, SE
Washington, DC 20003

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Digital Pioneers Academy Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Digital Pioneers Academy Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Digital Pioneers Academy Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 20, 2020

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

There were no findings reported in the prior year.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

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

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

There were no findings in the current year.

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

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>	<u>Fiscal Year</u>
ESP Warehouse, LLC	Rent	694,875	no	FY20
MCN Build	Leasehold Improvements	588,749	no	FY20
Luncheras Di Si LLC	Food Service Fees	178,360	no	FY20
DES-DC, Inc.	New Furniture	132,495	no	FY20
DC Treasurer	Real Estate Taxes	126,711	no	FY20
ACS International Resources, Inc.	IT Infrastructure Management and Computer Purchases	117,133	no	FY20
Benjamin Marcovitz	Executive Coaching and In-Person Professional Development	89,633	no	FY20
Busy Bee Environmental Service	Janitorial Services	86,283	no	FY20
End-to-End Solutions	Contracted Special Education Services	79,233	no	FY20
ADP	Payroll Provider	78,380	no	FY20
Fundamentals Academy	Contracted Staff	59,325	no	FY20
Amazon	Student and General Supplies	56,777	no	FY20
EdOps	Financial Consulting	54,840	no	FY20
Pinkston Group, Inc.	Students and Staff Recruiting and Social Media Management	53,321	no	FY20
DC Public Charter School Board	Authorizer Fee	48,493	no	FY20
Flynn & O'Hara Uniforms, Inc.	Student Uniforms	42,111	no	FY20
Kander Consulting, LLC	Staff Development - People Leadership Intensive	40,000	no	FY20
The Achievement Network	Student Data Coaching	33,000	no	FY20
Habetler Consulting, Inc.	Executive Coaching and Culture Manual Development and Training	30,205	no	FY20
LEF Consultants and Advisors	Staff Recruiting	28,750	no	FY20
Allied Telecom Group	Internet Service	25,193	no	FY20
EdOps	Financial Consulting	68,700	no	FY21