

DIGITAL PIONEERS ACADEMY
PUBLIC CHARTER SCHOOL

WASHINGTON, DC

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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, 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**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

We have audited the financial statements of the Digital Pioneers Academy Public Charter School as of and for the year ended June 30, 2019, and our report thereon dated December 6, 2019, 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 December 6, 2019, 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 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
December 6, 2019

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

<u>ASSETS</u>	<u>June 30, 2019</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 107,398
Accounts Receivable	6,731
Grants Receivable	43,262
Promises Receivable	262,500
Prepaid Expenses	<u>68,216</u>
Total Current Assets	<u>\$ 488,107</u>
<u>Fixed Assets:</u>	
Furniture, Fixtures and Equipment	\$ 223,260
Computers	103,502
Classroom Equipment	25,360
Leasehold Improvements	535,756
Less: Accumulated Depreciation and Amortization	<u>(585,057)</u>
Total Fixed Assets	<u>\$ 302,821</u>
<u>Other Assets:</u>	
Deposits	<u>\$ 12,886</u>
Total Other Assets	<u>\$ 12,886</u>
TOTAL ASSETS	<u>\$ 803,814</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>Current Liabilities:</u>	
Accounts Payable and Accrued Expenses	\$ 222,371
Interest Payable	4,283
Accrued Salaries	23,813
Payroll Taxes and Related Liabilities	4,408
Deferred Revenue - Current Portion	3,825
Loan Payable	377,731
Current Portion - Capital Lease	<u>7,033</u>
Total Current Liabilities	<u>\$ 643,464</u>
<u>Long-Term Liabilities:</u>	
Capital Lease Payable	\$ 30,566
Less: Current Portion	(7,033)
Deferred Revenue	<u>3,825</u>
Total Long-Term Liabilities	<u>\$ 27,358</u>
Total Liabilities	<u>\$ 670,822</u>
<u>Net Assets:</u>	
Without Donor Restrictions (Deficit)	\$ (117,008)
With Donor Restrictions	<u>250,000</u>
Total Net Assets	<u>\$ 132,992</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 803,814</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, Gains, and Other Support:</u>			
Tuition - Per Pupil Funding Allocation	\$ 1,792,212	\$ -	\$ 1,792,212
Tuition - Facilities Allowance	391,560	-	391,560
Federal Entitlements and Grants	781,317	-	781,317
State Government Grants	5,396	-	5,396
Foundation Grants	367,500	502,500	870,000
Contributions	8,487	12,500	20,987
Donated Services	18,000	-	18,000
Interest	3,768	-	3,768
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>450,057</u>	<u>(450,057)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 3,818,297</u>	<u>\$ 64,943</u>	<u>\$ 3,883,240</u>
<u>Expenses and Losses:</u>			
Educational Services	\$ 3,800,115	\$ -	\$ 3,800,115
General and Administrative	482,582	-	482,582
Fundraising	<u>12,409</u>	<u>-</u>	<u>12,409</u>
Total Expenses	<u>\$ 4,295,106</u>	<u>\$ -</u>	<u>\$ 4,295,106</u>
Loss on Abandonment of Furniture, Equipment and Leasehold Improvements	<u>70,316</u>	<u>-</u>	<u>70,316</u>
Total Expenses and Losses	<u>\$ 4,365,422</u>	<u>\$ -</u>	<u>\$ 4,365,422</u>
Changes in Net Assets	\$ (547,125)	\$ 64,943	\$ (482,182)
Net Assets, Beginning of Year	<u>430,117</u>	<u>185,057</u>	<u>615,174</u>
Net Assets, End of Year (Deficit)	<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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>				
Leadership Salaries	\$ 654,500	\$ 511,170	\$ 136,481	\$ 6,849
Teaching Staff Salaries	738,945	738,945	-	-
Student and Family Support Salaries	208,979	208,979	-	-
Business and Operations Salaries	94,708	92,938	1,770	-
Employee Benefits	128,796	117,784	10,492	520
Payroll Taxes	140,628	128,605	11,456	567
Staff Development Costs	256,190	234,286	20,870	1,034
Other Staff-Related Expenses	<u>180,454</u>	<u>165,026</u>	<u>14,700</u>	<u>728</u>
Total Personnel, Salaries and Benefits	<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	\$ 21,250	\$ 21,250	\$ -	\$ -
Food Service	202,406	202,406	-	-
Student Supplies and Materials	49,320	49,320	-	-
Contracted Instruction Fees	201,997	201,997	-	-
Special Education Contracted Services	41,041	41,041	-	-
Field Trips	44,498	44,498	-	-
Other Student Costs	<u>123,607</u>	<u>123,607</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 684,119</u>	<u>\$ 684,119</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>				
Rent	\$ 100,957	\$ 95,332	\$ 5,318	\$ 307
Contracted Building Services	87,611	82,730	4,615	266
Utilities	11,358	10,725	598	35
Maintenance and Improvements	15,279	14,428	805	46
Interest Expense	25,651	-	25,651	-
Depreciation - Building	<u>446,463</u>	<u>421,589</u>	<u>23,518</u>	<u>1,356</u>
Total Occupancy Costs	<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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>				
Equipment Rental and Maintenance	\$ 14,924	\$ 14,093	\$ 786	\$ 45
Office Supplies and Materials	105,494	99,617	5,556	321
Postage and Shipping	1,503	1,419	79	5
Professional Services	225,756	41,572	184,184	-
Office Printing and Copying	6,538	6,174	344	20
Telecommunications	18,371	17,347	968	56
Staff Travel	<u>15,368</u>	<u>14,512</u>	<u>809</u>	<u>47</u>
Total Office Expenses	<u>\$ 387,954</u>	<u>\$ 194,734</u>	<u>\$ 192,726</u>	<u>\$ 494</u>
<u>General Expenses:</u>				
Authorizer Fee	\$ 26,766	\$ 22,751	\$ 4,015	\$ -
Insurance	17,305	-	17,305	-
Moving Expenses	11,500	11,500	-	-
Depreciation Expense	68,278	64,474	3,597	207
Other General Expenses	<u>8,665</u>	<u>-</u>	<u>8,665</u>	<u>-</u>
Total General Expenses	<u>\$ 132,514</u>	<u>\$ 98,725</u>	<u>\$ 33,582</u>	<u>\$ 207</u>
TOTAL FUNCTIONAL EXPENSES	<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
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Cash Flows from Operating Activities:</u>	
Changes in Net Assets	\$ (482,182)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation and Amortization	514,741
Unusual Item - Loss on Fixed Asset Abandonment	70,316
Loan Fees Amortization - Interest	3,000
Accounts Receivable - (Increase)/Decrease	(6,731)
Grants Receivable - (Increase)/Decrease	(43,262)
Promises Receivable - (Increase)/Decrease	(31,867)
Prepaid Expenses - (Increase)/Decrease	(59,840)
Deposits - (Increase)/Decrease	3,847
Accounts Payable and Accrued Expenses - Increase/(Decrease)	100,344
Interest Payable - Increase/(Decrease)	4,283
Accrued Salaries - Increase/(Decrease)	23,813
Payroll Taxes and Related Liabilities - Increase/(Decrease)	4,408
Deferred Revenues - Increase/(Decrease)	<u>4,306</u>
Net Cash Flows from Operating Activities	<u>\$ 105,176</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Fixed Assets	<u>\$ (846,502)</u>
Net Cash Flows from Investing Activities	<u>\$ (846,502)</u>
<u>Cash Flows from Financing Activities:</u>	
Proceeds on Capital Lease	\$ 34,709
Payments made on Capital Lease	(4,143)
Proceeds on Loan	600,000
Principal Payments on Loan	(219,269)
Payments for Loan Financing Costs	<u>(6,000)</u>
Net Cash Flows from Financing Activities	<u>\$ 405,297</u>
Net (Decrease) in Cash and Cash Equivalents	\$ (336,029)
Cash and Cash Equivalents, Beginning of Year	<u>443,427</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 107,398</u></u>

Supplemental Disclosures:

- a) There were no income taxes paid during the year ended June 30, 2019.
- b) Interest in the amount of \$18,368 was paid during the year ended June 30, 2019.

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 capital 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

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.

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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

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.

(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, 2019.

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 and state governmental agencies for various purposes in the form of exchange transactions. Grant revenues are recognized based on allowable costs incurred. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

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

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

Net Assets with Donor Restrictions

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

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

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

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

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 (Continued)

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, 2019</u>
General Operations - Time Restricted	\$ 250,000
Breakthrough Schools - Time Restricted	185,057
Wind Turbine Competition	12,500
Summer Camp	<u>2,500</u>
 Total Net Assets Released from Restrictions	 <u>\$ 450,057</u>

(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, 2019</u>
Legal Services	\$ <u>18,000</u>
 Total Donated Services	 <u>\$ 18,000</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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. DPA will ultimately be a college preparatory middle and high school (6th - 12th grade) for students from Ward 7 and 8 in Washington, DC. Beginning with 6th grade and adding one grade per year, DPA will provide 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 will leverage 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, our innovative approach focuses on character building, diverse out-of-school experiences ("expeditions"), and developing the social and emotional capacities of our 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." 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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.

(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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(k) Fair Value of Certain Financial Instruments:

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

(l) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.
- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 107,398
Accounts Receivable	6,731
Grants Receivable	43,262
Promises Receivable	<u>262,500</u>
Total Financial Assets	<u>\$ 419,891</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:	
Contractual Restriction - Copier Buy Out	<u>\$ 3,825</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<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, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for tax years 2016 through 2017 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, 2019, the Charter School had no accruals for interest and/or penalties.

5. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2019</u>
Checking Accounts - Interest Bearing	\$ 90,417
Checking Accounts - Non-Interest Bearing	16,931
Cash on Hand	<u>50</u>
Total	<u>\$ 107,398</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS: (Continued)

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, as well as account category. 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, 2019, none 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, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

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

	<u>June 30, 2019</u>
<u>Accounts Receivable</u>	
Per Pupil Funding	\$ <u>6,731</u>
Total Accounts Receivable	\$ <u>6,731</u>
 <u>Grants Receivable</u>	
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 Grants Receivable	\$ <u>43,262</u>

The Charter School's accounts and grants 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Accounts and grants 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 or grants receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the year ended June 30, 2019.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. 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. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of:

	<u>June 30, 2019</u>
General - Unrestricted	\$ <u>262,500</u>
Total Promises Receivable	\$ <u>262,500</u>

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

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, 2019, 95% of the Charter School's contributions receivable (\$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.

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. 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

Depreciation and amortization expense for the year ended June 30, 2019, was \$514,741. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

	<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. CAPITAL LEASE PAYABLE:

On September 14, 2018, the Charter School entered into a capital lease for the purchase of a Toshiba 7506ACT photocopier. The total amount financed through the capital leases 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 \$1,097 for the year ended June 30, 2019, using an implicit rate of 5.00%. The balance of the capital lease debt was \$30,566 at June 30, 2019. The Charter School is committed under this capital lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 8,515	\$ 7,033	\$ 1,482
2021	7,860	6,839	1,021
2022	7,860	7,189	671
2023	7,860	7,556	304
2024	<u>1,965</u>	<u>1,949</u>	<u>16</u>
Total Future Minimum Lease Payments	<u>\$ 34,060</u>	<u>\$ 30,566</u>	<u>\$ 3,494</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. CAPITAL 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 year ended June 30, 2019, depreciation expense in the amount of \$5,206 on the photocopier has been included in depreciation expense. Following is a summary of assets held under capital leases:

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

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School’s fiscal management and academic acceptability. The contract dated 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 18/19 school year) 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 year ended June 30, 2019, the Charter School incurred \$ 26,766 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, 2019, was not permitted to be greater than 120 students. Audit enrollment for the 2018/2019 year was 120 students.

10. 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, 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. PER-PUPIL FUNDING ALLOCATION: (Continued)

Per-pupil funding for the year ended June 30, 2019, was as follows:

	<u>June 30, 2019</u>
General Education	\$ 1,381,277
Special Education	222,331
At Risk Students	188,604
Facilities Allowance	<u>391,560</u>
Total	<u>\$ 2,183,772</u>

11. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2019</u>
Charter Schools Program, Title V	\$ 523,849
National School Lunch and Breakfast Program	110,673
Elementary and Secondary Education, Title I	74,089
Individuals with Disabilities Education Act	25,455
Elementary and Secondary Education, Title II	14,565
Child and Adult Care Food Program	11,486
DC School Choice Incentive Program (SOAR)	11,200
Elementary and Secondary Education, Title IV	<u>10,000</u>
Total	<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).

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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. PROMISSORY NOTE:

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. OSSE maintained a security interest in the Charter School's revenues.

Interest expense related to this note for the year ended June 30, 2019 was \$ 21,554. The balance of this loan at June 30, 2019 was \$380,731.

There were several loan covenants related to this loan. These covenants included the debt service coverage ratio and the unrestricted liquidity to indebtedness for money borrowed ratio. The Charter School did not meet these loan covenants at June 30, 2019; however, in September 2019, the Charter School refinanced the loan with OSSE at which time the covenants under the original loan were no longer in force.

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. The new loan is for a total amount of \$816,400 and is payable over the next five years. This classroom space is being utilized beginning for the 2019/2020 school year.

Future minimum required payments for the next six years on the newly obtained loan including the refinance on the original loan is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 101,808	\$ 74,563	\$ 27,245
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>\$ 1,042,487</u>	<u>\$ 890,963</u>	<u>\$ 151,524</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. PROMISSORY NOTE: (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, 2019 consisted of the following:

	<u>June 30, 2019</u>
Notes Payable	\$ 380,731
Less: Unamortized Debt Issuance Costs	(3,000)
Total	\$ 377,731

13. 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, 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 year ended June 30, 2019 was \$78,417. Future minimum rental lease payments due under this lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 7,083
Totals	\$ 7,083

Building Lease - 709 12th Street

The Digital Pioneers Academy Public Charter School entered into a lease agreement with ESP Warehouse, LLC, effective for a two-year period commencing on July 1, 2019, and ending on June 30, 2034, for the rental of three 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 not to exceed twenty thousand dollars for the first two lease years and one percent of the annual basic rent for the remainder of the lease term. As an additional requirement of this lease agreement, a rental security deposit in the amount equal to four months' basic rent is required. There was no rental expense for the year ended June 30, 2019.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

Building Lease - 709 12th Street (Continued)

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>
2020	\$ 905,657	\$ 425,657	\$ 480,000
2021	905,657	425,657	480,000
2022	905,657	135,657	770,000
2023	905,657	114,482	791,175
2024	905,657	92,725	812,932
Thereafter	<u>9,056,566</u>	<u>(1,194,178)</u>	<u>10,250,744</u>
Totals	<u>\$ 13,584,851</u>	<u>\$ -</u>	<u>\$ 13,584,851</u>

14. 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 year ended June 30, 2019, fifty-six percent (56%) of total support, excluding donated services, was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives 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.

15. CONTINGENCIES:

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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. CONTINGENCIES: (Continued)

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

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.

16. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognitions or disclosure through December 6, 2019, 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.

Loan Refinancing

As more fully discussed in Note 12, the Charter School refinanced an existing loan with the Office of the State Superintendent of Education on September 6, 2019. This loan and additional principal borrowed was for the purpose of renovating a school facility located at 709 12th Street SE, Washington, DC.

17. 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS: (Continued)

Board of Directors (Continued)

The CEO and Principal of Digital Pioneers Academy and the Executive Director of the DC Public Charter School Board serve 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.

Two of the directors appointed to serve on the Board of Directors are parents of students attending the Digital Pioneers Academy Public Charter School. Parent directors are elected by a majority vote of the board members from a list of qualified individuals submitted to the board by an advisory committee.

Contributions

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

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 \$30,000, however the debt is guaranteed by the Executive Director of the Charter School.

18. FUNDRAISING:

During the year ended June 30, 2019, expenses incurred for the purpose of fundraising were \$12,409.

19. ADVERTISING:

Advertising was conducted for the purpose of promoting open enrollment and student recruiting to the school and to provide outreach to the community. Advertising costs were \$ 38,694 for the year ended June 30, 2019.

20. 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

20. RETIREMENT PLAN: (Continued)

The Charter School's contributions to the plan consisted of the following:

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

21. EMPLOYEE BENEFITS:

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

	<u>June 30, 2019</u>
Social Security/Medicare	\$ 128,605
Health Insurance	63,986
Retirement	36,467
Dental and Vision Insurance	6,461
Disability and Life Insurance	13,454
Unemployment	12,023
Workers Compensation	5,709
Flexible Spending Fees	<u>2,719</u>
Total	<u>\$ 269,424</u>

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.

22. 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/18</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/19</u>
						<u>Receipts</u>	<u>Disbursements Expenditures</u>	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Special Education Cluster:								
Special Education - Grants to States (IDEA, Part B)	84.027A	92027A	\$ 25,455	07/01/18 to 09/30/19	\$ -	\$ 25,455	\$ 25,455	\$ -
Total Special Education Cluster					\$ -	\$ 25,455	\$ 25,455	\$ -
Title I, Part A, Grants to Local Educational Agencies	84.010A	92010A	\$ 74,090	07/01/18 to 09/30/19	\$ -	\$ 74,089	\$ 74,089	\$ -
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	92367A	\$ 14,565	07/01/18 to 09/30/19	-	14,565	14,565	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	92424A	\$ 10,000	07/01/18 to 09/30/19	-	10,000	10,000	-
Title V, Part B, Charter Schools	84.282	U282A150028	\$ 693,750	05/22/17 to 09/30/19	44,576	546,771	523,849	21,654
Passed Through the District of Columbia and the Flamboyant Foundation:								
DC School Choice Incentive Program	84.370C	N/A	\$ 4,000	07/01/18 to 06/30/19	-	2,000	4,000	2,000
Passed Through the District of Columbia and the Education Pioneers:								
DC School Choice Incentive Program	84.370C	N/A	\$ 7,200	07/01/18 to 06/30/19	-	7,200	7,200	-
Total U.S. Department of Education					\$ 44,576	\$ 680,080	\$ 659,158	\$ 23,654
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 24,050	\$ 28,828	\$ 4,778
National School Lunch Program	10.555	N/A	N/A	07/01/18 to 06/30/19	-	68,992	81,845	12,853
Total Child Nutrition Cluster					\$ -	\$ 93,042	\$ 110,673	\$ 17,631
Child and Adult Care Food Program	10.558	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 10,188	\$ 11,486	\$ 1,298
Total U.S. Department of Agriculture					\$ -	\$ 103,230	\$ 122,159	\$ 18,929
Total Federal Awards					\$ 44,576	\$ 783,310	\$ 781,317	\$ 42,583

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Summary by CFDA

<u>Programs</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 25,455
Title I, Part A, Grants to Local Educational Agencies	84.010A	74,089
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	14,565
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	10,000
Title V, Part B, Charter Schools	84.282	523,849
DC School Choice Incentive Program	84.370C	11,200
School Breakfast Program	10.553	28,828
National School Lunch Program	10.555	81,845
Child and Adult Care Food Program	10.558	<u>11,486</u>
Total Federal Awards		<u>\$ 781,317</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 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 the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

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

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

Note 3 - Pass-Through Funds:

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

Note 4 - Major Program Selection:

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

U.S. Department of Education

- Title V, Part B, Charter Schools

The requirements of the Office of Management and Budget Uniform Guidance require that all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For Digital Pioneers Academy Public Charter School, the program subject to these requirements is as listed above. The total expenditures of this program represent 67.05% of the total federal expenditures.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Note 4 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 25,455
Title I, Part A, Grants to Local Educational Agencies	84.010A	74,089
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	14,565
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	10,000
Title V, Part B, Charter Schools	84.282	523,849 *
DC School Choice Incentive Program	84.370C	11,200
School Breakfast Program	10.553	28,828
National School Lunch Program	10.555	81,845
Child and Adult Care Food Program	10.558	<u>11,486</u>
 Total Federal Awards		 <u>\$ 781,317</u>

* Denotes Major Program

Note 5 - Major Program Disclosure:

I. U.S. Department of Education

1) Title V, Part B, Charter Schools

The objectives of the Expanding Opportunity Through Quality Charter Schools Program (CSP), authorized under Title IV, Part C of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA), are to expand opportunities for all students, particularly traditionally underserved students, to attend charter schools and meet challenging state academic standards; provide financial assistance for the planning, program design, and initial implementation of public charter schools; increase the number of high-quality charter schools available to students across the United States; evaluate the impact of charter schools on student achievement, families, and communities; share best practices between charter schools and other public schools; encourage states to provide facilities support to charter schools; and support efforts to strengthen the charter school authorization process.

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

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 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
December 6, 2019

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 COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Digital Pioneers Academy Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Digital Pioneers Academy Public Charter School's major federal programs for the year ended June 30, 2019. Digital Pioneers Academy Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Digital Pioneers Academy Public Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Digital Pioneers Academy Public Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Digital Pioneers Academy Public Charter School's compliance.

Basis for Qualified Opinion on Title V, Part B, Charter Schools

As described in finding 2019-001 in the accompanying schedule of findings and questioned costs, Digital Pioneers Academy Public Charter School did not comply with requirements regarding the following:

<u>Finding #</u>	<u>CFDA#</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2019-001	84.282	Title V, Part B, Charter Schools	Procurement - Manual

Compliance with such requirements is necessary, in our opinion for Digital Pioneers Academy Public Charter School to comply with the requirements applicable to that program.

Qualified Opinion on Title V, Part B, Charter Schools

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Digital Pioneers Academy Public Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

Digital Pioneers Academy Public Charter School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Digital Pioneers Academy Public Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on this response.

Report on Internal Control Over Compliance

Management of Digital Pioneers Academy Public Charter School 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 Digital Pioneers Academy Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Digital Pioneers Academy Public Charter School's internal control over compliance.

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.

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.

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 6, 2019

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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 Digital Pioneers Academy Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award program have been reported.
- e. The auditor's report on compliance for Title V, Part B, Charter Schools, the major federal award program for Digital Pioneers Academy Public Charter School expresses a qualified opinion.
- f. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance are reported in the schedule of findings and questioned costs.
- g. The major program of Digital Pioneers Academy Public Charter School was as follows:

<u>Program</u>	<u>CFDA #</u>
Title V, Part B, Charter Schools	84.282

- h. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- i. Digital Pioneers Academy Public Charter School was determined to be a high-risk auditee.

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.

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

2019-001 Title V, Part B, Charter Schools: CFDA# 84.282

Criteria and Condition: In accordance with the procurement standards as promulgated in Section 200.318 of 2 CFR Chapter 1, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, an organization that receives federal funding is required to have a written procurement policy and procedures manual, which reflect applicable federal laws and required procurement procedures as identified in the Uniform Guidance.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 Title V, Part B, Charter Schools: CFDA# 84.282 (Continued)

Criteria and Condition: (Continued)

Digital Pioneers Academy Public Charter School has a written financial policies and procedures manual; however, it does not include some of the necessary requirements as they relate to federal standards and compliance. This manual has been written to address primarily the procurement procedures required by the charter school authorizer (DCPCSB). Included within this manual is a policy statement which states that the School will comply with procurement standards as required under the Uniform Administrative Requirements.

Questioned Cost: \$0

Context: The District of Columbia Public Charter School Board, the Charter School authorizing body, has developed a detailed and robust set of standards to be followed by Charter Schools within the District of Columbia. Although these standards cover many facets of the procurement process, they do not address the additional requirements as required by federal statutes. In addition, procurement procedures as issued from the District of Columbia Public Charter School Board also exempt certain services and items from the procurement standards that are not exempt under federal standards.

Cause: The Charter School has a written procurement policy manual that corresponds to the procurement standards as promulgated by the District of Columbia Public Charter School Board, which primarily addresses those procedures necessary for nonexempt procurement actions greater than \$25,000. The Charter School's initial year of operations began on July 1, 2018, and management believed the procurement manual that had been adopted would satisfy the requirement of having a federal policy and procurement manual.

Effect: Federal procurement standards have been established to ensure that all procurement actions are conducted in a manner to ensure, to the maximum extent practical, that the solicitation and award of a procurement transaction is most advantageous to both the federal government and the Charter School. By utilizing procurement standards that do not fully conform to federal standards, a contract could be awarded that would otherwise not be considered most advantageous to one or either party.

Recommendation: We recommend that the current written financial policies and procedures manual be expanded to include the many additional provisions as required under the Uniform Guidance. This includes, but is not limited to, (1) micro-purchase procedures, (2) quotation and analysis processes between \$10,000 and \$250,000, (3) federal sole source provisions, (4) selection process, (5) contract provisions, and (6) procurement records.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 Title V, Part B, Charter Schools: CFDA# 84.282 (Continued)

Views of Responsible Official: The Organization has modified its Financial Policies and Procedures to codify the Organization's adherence to Uniform Grant Guidance for federally funded expenditures. The most notable additions to the policy are excerpted below:

"The Organization reviews the following websites: <https://www.sam.gov> and Excluded Parties List - OCP -DC to ensure that prospective vendors are not debarred or suspended. The School takes a screen snapshot of the page on the date of inquiry and saves the information electronically to ensure evidence of compliance with this requirement is readily available.

For equipment purchased fully or partially by federally funded dollars, the Organization follows all regulations and requirements stated in 2 CFR 200.13 (or subsequent guidance). Any equipment purchased with federal funds must be used in the program/project in which it was acquired as long as it is needed. It will be used on other programs providing such use does not interfere with the work on the programs for which it was originally acquired.

All equipment, whether or not it is purchased with federal funds, will be protected from loss, theft, and abuse. The Organization will ensure adequate measures are implemented and enforced, including but not limited to: maintaining and periodically reviewing inventory records, locking doors, and using technology security systems and software, as applicable."

And, "In accordance with Uniform Grant Guidance,

- If purchase is less than \$10,000, the Organization will verify that the purchase was reasonable, necessary, and that all practical efforts were made to distribute purchases equitably among qualified suppliers.
- If purchase is between \$10,001 and \$249,999, the Organization will review pricing/bids/quotes from at least three vendors, compare the costs of each, and store records of the review of the pricing/bids/quotes.
- If purchase is greater than \$250,000, the Organization will solicit competitive proposals or sealed bids through a formal process in accordance with federal, state, and local requirements.
- If purchase is considered a Sole Source, the Organization shall store all records and analysis in support of that assessment.

The Federal Grant Compliance Checklist guides DPA's adherence to Uniform Grant Guidance. The Federal Grant Compliance Checklist is completed by anyone making a purchase of supplies, services, or travel that will be reimbursed with federal grant funds."

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
MCN Build	Renovations for School	600,000	no
Lunches Di Si LLC	School Meals for Students	195,738	no
Busy Bee Environmental Service	Janitorial Services for School	88,741	no
East Washington Heights Baptist Church	Rent for School	89,774	no
Inspiroz/ACS International Resources, Inc.	Computer and Server Support	81,408	no
Charter School Business Management Inc.	Financial Support Services	118,524	no
School Outfitters	Furniture for school	65,000	no
Pinkston Group Inc.	Media Support Services for Recruitment of Students and Staff	61,997	no
Benjamin Marcovitz	Executive and Staff Coaching	77,715	no
DC Health Link	Insurance for Staff	76,777	no
Urban Teachers	Teaching Assistants for Classrooms	50,000	no
WeWork	Rent for Office Space	40,000	no
Apple	Staff Computers	30,845	no
Flynn & O'Hara Uniforms, Inc.	Uniforms for Students	48,338	no
End-to-end Solutions	Special Education Services for Students	37,400	no
Enriched Schools	Physical Activity Educators and Substitutes for Students	29,464	no