Euphemia L. Haynes
Public Charter School, Inc.

Financial Report
June 30, 2020

Contents

Independent Auditor's Report

Board of Trustees
Euphemia L. Haynes Public Charter School, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Euphemia L. Haynes Public Charter School, Inc. (the School), which comprise the balance sheets as of June 30, 2020 and 2019, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 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 Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report, dated October 30, 2020, on our consideration of the School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
October 30, 2020

Euphemia L. Haynes Public Charter School, Inc.

Balance Sheets
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 5,405,494	$ 4,200,939
Investments	4,147,826	4,049,338
Accounts receivable	227,111	68,113
Promises to give	-	5,000
Grants receivable	758,697	738,955
Prepaid expenses and other current assets	438,745	358,711
Total current assets	10,977,873	9,421,056
Restricted cash	1,947,942	1,545,961
Property and equipment, net	30,877,421	31,627,659
Due from ELH Support Corp.	7,274	35,388
Deposits	1,640	1,640
	$ 43,812,150	$ 42,631,704
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	993,306	1,251,703
Current portion of long-term debt	1,050,000	1,016,000
Total current liabilities	2,043,306	2,267,703
Interest rate swap liability	2,171,593	775,005
Long-term debt, net of current portion	30,702,791	31,350,353
	34,917,690	34,393,061
Contingencies and commitments (Notes 13 and 14)		
Net assets:		
Without donor restrictions	8,873,430	8,147,527
With donor restrictions	21,030	91,116
Total net assets	8,894,460	8,238,643
	$ 43,812,150	$ 42,631,704

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Activities
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019 Total
Revenue and support:				
Pupil allocation	**$ 25,580,180**	**$ -**	**$ 25,580,180**	$ 24,404,114
Other grants	**1,213,367**	**-**	**1,213,367**	1,112,161
Federal grants	**1,606,207**	**-**	**1,606,207**	1,610,710
Contributions	**705,876**	**163,542**	**869,418**	489,266
Program revenue	**89,574**	**-**	**89,574**	102,589
Investment income, net	**121,031**	**-**	**121,031**	110,166
Rental revenue	**2,290**	**-**	**2,290**	2,560
Net assets released from restrictions	**233,628**	**(233,628)**	**-**	-
Total revenue and support	**29,552,153**	**(70,086)**	**29,482,067**	27,831,566
Expenses:				
Program services	**25,992,798**	**-**	**25,992,798**	25,854,370
General and administrative	**979,372**	**-**	**979,372**	1,141,465
Fundraising	**457,492**	**-**	**457,492**	490,339
Total expenses	**27,429,662**	**-**	**27,429,662**	27,486,174
Change in net assets before other (loss) gain	**2,122,491**	**(70,086)**	**2,052,405**	345,392
Other (loss) gain:				
Loss on interest rate swap agreement	**(1,396,588)**	**-**	**(1,396,588)**	(1,135,095)
Contractual gain	**-**	**-**	**-**	2,772,712
Change in net assets	**725,903**	**(70,086)**	**655,817**	1,983,009
Net assets:				
Beginning	**8,147,527**	**91,116**	**8,238,643**	6,255,634
Ending	**$ 8,873,430**	**$ 21,030**	**$ 8,894,460**	$ 8,238,643

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Pupil allocation	$ 24,404,114	$ -	$ 24,404,114
Other grants	1,112,161	-	1,112,161
Federal grants	1,610,710	-	1,610,710
Contributions	338,952	150,314	489,266
Program revenue	102,589	-	102,589
Investment income, net	110,166	-	110,166
Rental revenue	2,560	-	2,560
Net assets released from restrictions	147,634	(147,634)	-
Total revenue and support	27,828,886	2,680	27,831,566
Expenses:			
Program services	25,854,370	-	25,854,370
General and administrative	1,141,465	-	1,141,465
Fundraising	490,339	-	490,339
Total expenses	27,486,174	-	27,486,174
Change in net assets before other gains	342,712	2,680	345,392
Other (loss) gain:			
Loss on interest rate swap agreement	(1,135,095)	-	(1,135,095)
Contractual gain	2,772,712	-	2,772,712
Change in net assets	1,980,329	2,680	1,983,009
Net assets:			
Beginning	6,167,198	88,436	6,255,634
Ending	$ 8,147,527	$ 91,116	$ 8,238,643

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020 Program Services	2020 General and Administrative	2020 Fundraising	2020 Total	2019 Total
Personnel Salaries and Benefits:					
Principal/Administrative Salary	$ 1,056,181	$ 427,309	$ -	$ 1,483,490	$ 1,549,471
Teachers Salaries	5,849,988	-	-	5,849,988	5,652,234
Special Education Salaries	1,547,232	-	-	1,547,232	1,411,239
Teacher Aides/Assistants Salaries	912,717	-	-	912,717	833,366
Before/After Care Salaries	145,666	-	-	145,666	136,289
Other Education Professionals Salaries	2,808,520	-	-	2,808,520	2,477,100
Business/Operations Salaries	881,110	-	-	881,110	806,294
Clerical Salaries	384,520	-	-	384,520	360,266
Custodial Salaries	390,015	-	-	390,015	141,498
Other Staff Salaries	-	-	175,593	175,593	227,261
Employee Benefits	2,557,267	78,187	32,129	2,667,583	2,747,524
Contracted Staff	1,260,727	38,546	58,840	1,358,113	1,258,147
Staff Development Expense	716,406	21,904	9,001	747,311	507,622
Total Personnel Salaries and Benefits	18,510,349	565,946	275,563	19,351,858	18,108,311
Direct Student Costs:					
Textbooks	158,041	-	-	158,041	280,792
Student Supplies and Material	353,652	-	-	353,652	617,719
Student assessment fees	34,783	-	-	34,783	81,170
Contracted Instructional Fees	434,854	-	-	434,854	737,859
Food service	509,602	-	-	509,602	642,937
Other Direct Student Costs	306,056	-	-	306,056	223,444
Total Direct Student Costs	1,796,988	-	-	1,796,988	2,583,921
Occupancy Expenses:					
Rent	-	-	-	-	214,294
Maintenance and repairs	353,175	3,505	3,611	360,291	308,924
Utilities	362,141	3,594	3,703	369,438	388,664
Janitorial supplies	5,158	51	52	5,261	13,500
Other Occupancy	-	-	-	-	16,931
Contracted building services	456,471	4,530	4,667	465,668	803,392
Total Occupancy Expenses	1,176,945	11,680	12,033	1,200,658	1,745,705
Office Expenses:					
Office Supplies and Materials	188,154	5,842	2,401	196,397	111,374
Office Equipment Rental and Maintenance	117,264	3,585	1,473	122,322	125,213
Telephone/Telecommunication	100,677	3,078	1,265	105,020	79,747
Legal, Accounting and Payroll Services	434,960	88,299	5,465	528,724	530,604
Printing and copying	30,578	935	384	31,897	50,865
Postage and Shipping	8,624	264	108	8,996	19,031
Total Office Expenses	880,257	102,003	11,096	993,356	916,834
General Expenses:					
Insurance	95,355	2,915	1,198	99,468	93,821
Transportation	69,815	-	-	69,815	63,690
Administrative Fee (to PCSB)	-	252,668	-	252,668	185,954
Interest	1,321,567	13,117	13,512	1,348,196	1,388,859
Other general expense	504,908	9,471	126,753	641,132	734,165
Total General Expenses	1,991,645	278,171	141,463	2,411,279	2,466,489
Depreciation (Facility)	1,378,569	13,682	14,095	1,406,346	1,382,580
Depreciation Expense	258,045	7,890	3,242	269,177	282,334
	1,636,614	21,572	17,337	1,675,523	1,664,914
Total	$ 25,992,798	$ 979,372	$ 457,492	$ 27,429,662	$ 27,486,174

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Personnel Salaries and Benefits:				
Principal/Administrative Salary	$ 921,784	$ 627,687	$ -	$ 1,549,471
Teachers Salaries	5,652,234	-	-	5,652,234
Special Education Salaries	1,411,239	-	-	1,411,239
Teacher Aides/Assistants Salaries	833,366	-	-	833,366
Before/After Care Salaries	136,289	-	-	136,289
Other Education Professionals Salaries	2,477,100	-	-	2,477,100
Business/Operations Salaries	806,294	-	-	806,294
Clerical Salaries	360,266	-	-	360,266
Custodial Salaries	141,498	-	-	141,498
Other Staff Salaries	-	-	227,261	227,261
Employee Benefits	2,574,741	126,854	45,929	2,747,524
Contracted Staff	1,171,857	57,736	28,554	1,258,147
Staff Development Expense	475,699	23,437	8,486	507,622
Total Personnel Salaries and Benefits	16,962,367	835,714	310,230	18,108,311
Direct Student Costs:				
Textbooks	280,792	-	-	280,792
Student Supplies and Material	617,719	-	-	617,719
Student Assessment Fees	81,170	-	-	81,170
Contracted Instructional Fees	737,859	-	-	737,859
Food Service	642,937	-	-	642,937
Other Direct Student Costs	223,444	-	-	223,444
Total Direct Student Costs	2,583,921	-	-	2,583,921
Occupancy Expenses:				
Rent	210,061	2,085	2,148	214,294
Maintenance and repairs	302,822	3,006	3,096	308,924
Utilities	380,988	3,781	3,895	388,664
Janitorial supplies	13,234	131	135	13,500
Other Occupancy	16,596	165	170	16,931
Contracted building services	787,524	7,816	8,052	803,392
Total Occupancy Expenses	1,711,225	16,984	17,496	1,745,705
Office Expenses:				
Office Supplies and Materials	104,370	5,142	1,862	111,374
Office Equipment Rental and Maintenance	117,339	5,781	2,093	125,213
Telephone/Telecommunication	74,732	3,682	1,333	79,747
Legal, Accounting and Payroll Services	497,237	24,497	8,870	530,604
Printing and copying	47,667	2,348	850	50,865
Postage and Shipping	17,834	879	318	19,031
Total Office Expenses	859,179	42,329	15,326	916,834
General Expenses:				
Insurance	87,921	4,332	1,568	93,821
Transportation	63,690	-	-	63,690
Administrative Fee (to PCSB)	-	185,954	-	185,954
Interest	1,361,427	13,512	13,920	1,388,859
Other general expense	604,789	16,154	113,222	734,165
Total General Expenses	2,117,827	219,952	128,710	2,466,489
Depreciation (Facility)	1,355,272	13,451	13,857	1,382,580
Depreciation Expense	264,579	13,035	4,720	282,334
	1,619,851	26,486	18,577	1,664,914
Total	$ 25,854,370	$ 1,141,465	$ 490,339	$ 27,486,174

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 655,817**	$ 1,983,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**1,675,523**	1,664,914
Amortization of loan issuance costs	**102,769**	102,501
Interest expense added to principal of notes and bonds payable	**271,194**	245,871
Contractual gain	**-**	(2,772,712)
Loss on interest rate swap agreement	**1,396,588**	1,135,095
Realized and unrealized gain	**(18,787)**	(14,058)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(158,998)**	(65,192)
Promises to give	**5,000**	42,159
Grants receivable	**(19,742)**	(21,361)
Prepaid expenses and other current assets	**(80,034)**	(159,181)
Due from ELH Support Corp.	**28,114**	(30,121)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(332,177)**	(446,526)
Deferred revenue	**-**	(1,500)
Accrued rent	**-**	214,292
Accrued interest	**28,475**	(87,227)
Net cash provided by operating activities	**3,553,742**	1,789,963
Cash flows from investing activities:		
Purchases of property and equipment	**(851,505)**	(387,300)
Purchases of investments	**(79,701)**	(77,598)
Net cash used in investing activities	**(931,206)**	(464,898)
Cash flows from financing activities:		
Principal payments on long-term debt	**(1,016,000)**	(528,000)
Net cash used in financing activities	**(1,016,000)**	(528,000)
Net increase in cash and cash equivalents (unrestricted and restricted)	**1,606,536**	797,065
Cash and cash equivalents (unrestricted and restricted):		
Beginning	**5,746,900**	4,949,835
Ending	**$ 7,353,436**	$ 5,746,900

(Continued)

Euphemia L. Haynes Public Charter School, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	**$ 974,233**	$ 1,040,487
Supplemental schedules of noncash investing and financing activities:		
Noncash interest expense added to principal of notes and bonds payable	**$ 271,194**	$ 245,871
Property and equipment included in accounts payable	**$ 73,780**	$ 318,373

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: E.L. Haynes Public Charter School (the School), was incorporated as a non-stock and nonprofit organization on August 14, 2003, under the laws of the District of Columbia. The mission of the School is for every E.L. Haynes student of every race, socioeconomic status and home language to reach high levels of academic achievement and be prepared to succeed at the college of his or her choice. Every E.L. Haynes student will be adept at mathematical reasoning, will use scientific methods effectively to frame and solve problems and will develop the lifelong skills needed to be successful individuals, active community members and responsible citizens. The School is open to any District of Columbia child in pre-Kindergarten through 12th grade.

ELH Kansas Avenue, Inc. (ELH Kansas) was formed during the year ended June 30, 2010, as a District of Columbia not-for-profit corporation under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC), specifically for the benefit of the School. The purpose of ELH Kansas is to perform the functions of, or to carry out the charitable and educational purposes of the School. On June 26, 2019, ELH Kanas Avenue merged to the School and thus terminated the existence of ELH Kansas as a separate legal entity.

ELH Support Corporation (ELHSC) was formed in 2008 for charitable, educational and literary purposes within the meaning of Section 501(c)(3) of the IRC, specifically for the benefit of the School and similar organizations by helping secure resources of financing, fundraising, making or holding loans, etc. The School has no majority board representation, and there was no overlap of board members for the years ended June 30, 2019 and 2018. However, the School has the ability to appoint one member of the ELHSC Board of Directors. As such, the School and ELHSC are considered related parties. ELHSC is not consolidated with the School as the School does not control ELHSC.

Charter school agreement: The School has been approved by the District of Columbia Public Charter School Board (the Board) to operate a charter school in the District of Columbia. The contract, dated May 17, 2004, provided for a 15-year charter, unless sooner terminated in accordance with the contract. The School’s enrollment ceiling, as registered with the Board, is 1,200 students through the school year 2018-2019. During June 2019, the School renewed the agreement with the Board for an additional 15-year term, effective July 1, 2019. Under the renewed agreement, the School’s enrollment ceiling, as registered with the Board, remains unchanged at 1,200 students for the school year 2019–2020 and beyond. The School is paid an annual fixed rate per student by the Board.

A summary of the School’s significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The financial statements of the School are prepared in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations and for the year ended June 30, 2019 include the accounts of ELH Kansas. All material intercompany balances and transactions have been eliminated. ELH Kansas had no activity during the year ended June 30, 2020.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities topics of the Codification, balance sheet and income statement, the School is required to report information regarding the financial position and activities in according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are the net assets that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions: Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the School pursuant to these stipulations. Net assets with restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period received. When a restriction expires (that is, when the time period passes or purpose is accomplished), net assets with restrictions are released. Net assets with donor restrictions were released from restrictions during the years ended June 30, 2020 and 2019, for various purposes, including after-school programs, college guidance, and support for alumni in college, library materials, physical education, gymnasium development and general operations. At June 30, 2020 and 2019, net assets with donor restrictions represented amounts restricted for specific education-related expenses.

Cash and cash equivalents and restricted cash and cash equivalents: The School considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held in the investment portfolio are excluded from cash and cash equivalents in reporting cash flows. Management maintains cash and cash equivalents as working capital to be used as needed. Restricted cash represents minimum balances with financial institutions required to be maintained under the terms of certain notes payable and unspent bond proceeds in cash and cash equivalents.

Investments: Investments of $4,147,826 and $4,049,338 at June 30, 2020 and 2019, respectively, consist of money market mutual funds, certificates of deposit and U.S. Treasury securities. Investments are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment income or loss in the statements of activities.

Financial risk: The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant financial risk on cash.

Receivables: Accounts and grants receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not recorded on any past due balances. Management has determined that receivables are fully collectible, and there was no allowance for doubtful receivables at June 30, 2020 and 2019.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Promises to give are carried at original amount pledged less an estimate made for doubtful promises based on a review of all outstanding pledges on a monthly basis. The School's promises to give are due in the next year. Management determines the allowance for doubtful accounts by regularly evaluating individual promises to give and considering prior history of donors and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received.

Property and equipment: The School capitalizes all property and equipment purchased with a cost of $1,000 or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years.

Valuation of long-lived assets: The School accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Debt issuance costs: Loan costs are comprised of various acquisition costs related to the debt acquired to fund the acquisition/rehabilitation of the School's buildings. These costs are being amortized over the term of the related debt agreements using the effective interest method. Unamortized debt issuance costs are reported with long-term debt.

Interest rate swap agreement: The interest rate swap is carried at fair value. The fair value of the interest rate swap agreement is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Per-pupil allocation: The School receives a student allocation from the District of Columbia to cover the cost of academic and facilities expenses. Per-pupil allocation revenue is recognized in the period when it is earned, which is the school year for which the allocation is made. Unearned pupil allocation received is recorded as deferred revenue.

Contributions: Contributions are recognized when the donor makes a gift or a promise to give to the School that is, in substance, unconditional. Donor-restricted revenue is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Conditional contributions are recorded only to the extent that qualifying expenditures are made in accordance with agreements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Grants: The School receives grants from federal agencies and private grantors for various purposes. The grants provide for the development and support of the School's programs, materials and equipment. Grants received without conditions are treated consistent as unconditional contributions. Conditional grants are grants that contain a right of return or release by the resource provider and a barrier (performance obligations, control elements and/or the overall nature of the agreement). Receivables related to grant awards are recorded to the extent unreimbursed allowable expenses have been incurred for the purposes specified by an approved grant or award. The School defers grant collections under approved awards from grantors to the extent amounts received exceed expenditures incurred for the purposes specified under grant restrictions. These deferred grants are recorded as refundable advances.

The School has conditional grants from the federal and state governments. At June 30, 2020, the School has $9,644 of awarded, but not yet recognized grant funds.

Functional allocation of expenses: The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated on a percentage basis.

Income taxes: The School is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the IRC. In addition, the School qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no material unrelated business taxable income for the years ended June 30, 2020 and 2019.

The School follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of activities. The School files income tax returns in the U.S. federal jurisdiction. As of June 30, 2020 and 2019, there were no material unrecognized/derecognized tax benefits or tax penalties or interest.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The ASU was adopted by the School in 2020. As a result of adopting this standard, this guidance is applied on a modified prospective basis, meaning there is no cumulative-effect adjustment reflected in the opening balance of net assets. There was no material impact to the financial statements as a result of this adoption.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The School adopted ASU 2016-18 during the year ended June 30, 2020, and retrospectively applied this ASU to all periods presented. The adoption of this ASU resulted in a restatement of cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows as of July 1, 2018, in at the amount of $1,137,023.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In May 2014 the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (generally accepted accounting principles (GAAP)) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09 one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2019.

The School is currently evaluating the impact of the aforementioned ASU’s on the financial statements.

Subsequent events: The School evaluated subsequent events through October 30, 2020, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020	2019
Cash and cash equivalents, including restricted cash	$ 7,353,436	$ 5,746,900
Investments	4,147,826	4,049,338
Accounts receivable	227,111	68,113
Promises to give	-	5,000
Grants receivable	758,697	738,955
Total financial assets available	12,487,070	10,608,306
Less those unavailable for general expenditure within one year due to:		
Contractual or other restrictions		
Restricted cash (Note 3)	(1,947,942)	(1,545,961)
Donor-imposed restrictions		
Net assets with donor restrictions	(21,030)	(91,116)
	(1,968,972)	(1,637,077)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,518,098	$ 8,971,229

The School has various sources of liquidity at its disposal, including cash and cash equivalents, and investments. As part of liquidity management, the School invests cash in excess of daily requirements in short-term investments. The School assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

Note 3. Restricted Cash

Restricted cash at June 30, 2020 and 2019 is as follows:

	2020	2019
Minimum balance maintained	$ 1,934,132	$ 1,532,276
Unspent bond proceeds	13,810	13,685
	$ 1,947,942	$ 1,545,961

Note 4. Investments

Investments at June 30, 2020 and 2019, consists of the following:

	2020	2019
Money market mutual funds	$ 1,339,411	$ 642
Certificates of deposit	2,808,415	747,941
U.S. Treasury securities	-	3,300,755
	$ 4,147,826	$ 4,049,338

Investment income for the years ended June 30, 2020 and 2019, consists of the following:

	2020	2019
Interest and dividends	$ 102,244	$ 96,108
Realized and unrealized gain	18,787	14,058
	$ 121,031	$ 110,166

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at June 30, 2020, and depreciation expense for the year then ended, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	20 to 40 years	$ 14,397,339	$ (6,621,912)	$ 7,775,427	$ 436,551
Leasehold improvements	Life of lease	23,093,346	(7,763,802)	15,329,544	969,794
Land	–	6,538,842	-	6,538,842	-
Computers	3 years	2,805,526	(1,991,809)	813,717	146,444
Software	7 years	23,475	(22,808)	667	2,000
Furniture and equipment	7 years	1,484,469	(1,065,245)	419,224	120,734
		$ 48,342,997	$ (17,465,576)	$ 30,877,421	$ 1,675,523

Property and equipment and accumulated depreciation at June 30, 2019, and depreciation expense for the year then ended, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	20 to 40 years	$ 13,941,680	$ (6,185,359)	$ 7,756,321	$ 413,183
Leasehold improvements	Life of lease	23,077,833	(6,794,007)	16,283,826	969,396
Land	–	6,538,842	-	6,538,842	-
Computers	3 years	2,547,735	(1,964,339)	583,396	140,557
Software	7 years	23,475	(20,808)	2,667	2,000
Furniture and equipment	7 years	1,407,118	(944,511)	462,607	139,778
		$ 47,536,683	$ (15,909,024)	$ 31,627,659	$ 1,664,914

Note 6. Long-Term Debt

On May 15, 2015, the School entered into a loan agreement with a financial institution, whereby the School borrowed $21,952,000 through the use of District of Columbia Revenue Bonds (Euphemia L. Haynes Public Charter School, Inc. Issue Series 2015). The proceeds were fully used in the transaction to refinance debt incurred related to the construction of a school building at 3600 Georgia Avenue, NW, Washington, D.C (Georgia Avenue Property). The bonds are held with the financial institution as a private placement. The interest rate is variable as defined in the agreement under various interest rate options with an applicable spread of 2.2%. However, to hedge for the effects of potential increases in floating interest rates, the School has entered into an interest rate swap agreement. The agreement calls for a fixed rate of 1.87% on the notional principal amount (Note 8). After considering the impact of the swap agreement, the School is effectively paying a fixed interest rate of 4.07% on the bond issuance. The loan calls for monthly payments of principal and interest through March 1, 2031 with a balloon payment of approximately $5.9 million due on April 1, 2031. The loan is secured by the Georgia Avenue Property and improvements made on the facility at 4501 Kansas Avenue, NW, Washington, D.C. (Kansas Avenue Property) as well as revenues from operations. The associated credit agreement requires certain financial covenants to be met (including, but not limited to, a day's cash on hand and debt service coverage ratio).

Long-term debt as of June 30, 2020 and 2019, consists of the following:

	2020	2019
Principal amount (see table below)	$ 32,830,798	$ 33,547,112
Less unamortized loan issuance costs	(1,078,007)	(1,180,759)
	31,752,791	32,366,353
Less current portion of long term debt	(1,050,000)	(1,016,000)
	$ 30,702,791	$ 31,350,353

Notes payable at June 30, 2020 and 2019 are as follows:

	2020	2019
Loan payable to 233 Genesee Street Corporation, with interest at variable rates as defined in the loan agreement, but partially hedged with an interest rate swap at a fixed rate of 1.87%; monthly principal and interest payments due effective September 1, 2015; secured by an interest in Georgia Avenue property and improvements made on the Kansas Avenue facility and substantially all of the assets. Includes accrued interest of $28,498 and $81,185 at June 30, 2020 and 2019, respectively.	$ 19,572,000	$ 20,588,000
Loan payable to ELHSC with interest at 6%; Note due on April 1, 2031; subordinated by other debt. Includes accrued interest of $10,780 and $10,160 respectively.	2,203,664	2,042,860
Qualified School Constructions Bonds (see Note 7)	11,055,134	10,916,252
	$ 32,830,798	$ 33,547,112

Note 6. Long-Term Debt (Continued)

Aggregate maturities of long-term debt at June 30, 2020 are due in future years as follows:

Years ending June 30:	
2021	$ 1,050,000
2022	1,096,000
2023	1,136,000
2024	1,184,000
2025	1,232,000
Thereafter	27,132,798
	$ 32,830,798

Interest expense, including amortization of loan costs, related to long-term debt incurred for the years ended June 30, 2020 and 2019, was $1,348,196 and $1,388,859 respectively.

Note 7. Qualified School Construction Bonds Payable

On February 22, 2012, the District of Columbia issued Revenue Bonds (E.L. Haynes Public Charter School Issue) QSCB (Taxable-Tax Credit Bonds), Series 2012, with no interest. At issuance, ELHSC purchased the bonds from the District of Columbia. The QSCB have a face value of $13,350,000 and proceeds after issued discount were $10,150,000. The QSCB mature at face value on February 22, 2031. The proceeds from the QSCB are used to finance the final phase of development of the Kansas Avenue Property of the School to house upper grades. The QSCB are secured by a shared collateral agreement funded principally by per-pupil payments of the School. In addition, the QSCB is secured with a Kansas Avenue Property Leasehold Deed of Trust and Security Agreement. The accreted value of the QSCB at June 30, 2020 and 2019 amounted to $11,055,134 and $10,916,252, respectively.

The QSCB requires the following sinking fund installment payments:

Years ending June 30:	
2021	$ 387,949
2022	387,949
2023	387,949
2024	387,949
2025	387,949
Thereafter	11,410,255
	13,350,000
Less discount on bonds payable	(2,294,866)
	$ 11,055,134

Note 8. Interest Rate Swap Agreement

During the year ended June 30, 2015, the School entered into an interest rate swap agreement with M&T Bank for a notional amount equal to the obligation under the loan payable (2015 Bonds – see Note 6), whereby a portion of the floating debt was swapped into a fixed rate through the termination date of the swap, which is February 21, 2031. The agreement calls for a fixed rate of 1.87% on the notional principal amount, which was $19,648,000 and $20,662,000 at June 30, 2020 and 2019, respectively. The swap mechanism is intended to allow the School to realize potential of a lower fixed rate. As of June 30, 2020 and 2019, the fair value of the swap agreement was a liability of $2,171,593 and $775,005, respectively.

Note 9. Retirement Plan

The School offers a 403(b) retirement plan option (the Plan) for substantially all of its employees. In addition, the School contributes a percentage of compensation, which is determined by the Board of Trustees. For the years ended June 30, 2020 and 2019, the Trustees approved a 3% employer contribution. Total expense for the Plan amounted to $192,607 and $391,081 for the years ended June 30, 2020 and 2019, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions of $21,030 and $91,116 at June 30, 2020 and 2019, respectively, were for student education and services. Net assets of $233,628 and $147,634 for the years ended June 30, 2020 and 2019, respectively, were released from restrictions either as expenses were incurred, which satisfied the restricted purposes of the net assets, or by the occurrence of other events, as specified by the donors.

Note 11. Concentration

The School is supported primarily through pupil allocations from the District of Columbia. For the years ended June 30, 2020 and 2019, approximately 87% and 88%, respectively, of total revenue and support was provided from the District of Columbia. Reduction of this source of support would have a significant impact on the School's programs and activities.

Note 12. Pupil Allocation

The School's pupil allocation for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
General education	$ 14,713,931	$ 14,123,720
Special education, At Risk and ESOL	7,077,689	6,576,889
Facility allowance	3,788,560	3,703,505
	$ 25,580,180	$ 24,404,114

Note 13. Contingencies

Federal grants: The School participates in federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Legal matters: In the normal course of business, the School is subject to certain claims and assessments that arise from the ordinary course of business. The School records a liability when management believes that it is both probable that a loss has been incurred and that the amount can be reasonably estimated. Significant judgement is required to determine the outcome and the estimates amounts of a loss related to such matters. Management believes there are no claims or assessments outstanding that would materially affect the activities or financial position of the School.

Note 13. Contingencies (Continued)

Pandemic: The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including geographical areas in which the School operates. While the School has mitigated the financial impact to is business, it is unknown how long these conditions will last and what the complete financial effect will be to the School. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 14. Lease Commitment

The School executed a lease contract with the District of Columbia for the real property located at 4501 Kansas Avenue, NW, Washington, D.C. The term of the lease is for 25 years, with annual base rent due of $693,000. The lease commencement date was April 2010. The lease provides for rent credits for certain approved construction and related costs. The rent credits are used to offset the minimum rent due on a dollar-for-dollar basis.

During May 2019, the School received an additional rent credit pursuant to the lease agreement. The School is entitled to apply rent credits against the full rental obligation through June 30, 2036.

As of June 30, 2020, future minimum rental payments required under this lease, net of rent abatements, are as follows:

	Rent Obligation	Rent Abatements	Net Obligation
Years ending June 30:			
2021	$ 693,000	$ (693,000)	$ -
2022	693,000	(693,000)	-
2023	693,000	(693,000)	-
2024	693,000	(693,000)	-
2025	693,000	(693,000)	-
Thereafter	6,930,000	(6,930,000)	-
	$ 10,395,000	$ (10,395,000)	$ -

The School did not incur rent expense under this lease during the year ended June 30, 2020. Rent expense under this lease was $214,294 for year ended June 30, 2019.

Note 15. Fair Value Measurements

The School follows the Fair Value Measurement Topic of the FASB ASC, which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs not corroborated by market data.

Note 15. Fair Value Measurements (Continued)

In determining the appropriate levels, the School performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the School at June 30, 2020 and 2019.

The School holds money market funds that are publically traded on a stock exchange and are considered Level 1 items. Corporate certificates of deposit and U.S. Treasury securities are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full-term of the instruments and are, therefore, considered Level 2 items.

The School's swap agreement is valued based on quoted values stated by the bank's mark-to-market estimate using stated fixed rates and USD-LIBOR-BBA ratings. The interest rates are observable at commonly quoted intervals for the full term of the instrument and are, therefore, considered Level 2 items.

The table below presents the balances of the assets measured at fair value at June 30, 2020, on a recurring basis, by level, within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Fixed income:				
Money market mutual funds	$ 1,339,411	$ 1,339,411	$ -	$ -
Certificate of deposits	2,808,415	-	2,808,415	-
Total assets	$ 4,147,826	$ 1,339,411	$ 2,808,415	$ -
Liabilities:				
Interest rate swap	$ 2,171,593	$ -	$ 2,171,593	$ -
Total liabilities	$ 2,171,593	$ -	$ 2,171,593	$ -

The table below presents the balances of the asset and liability measured at fair value at June 30, 2019, on a recurring basis, by level, within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Fixed income:				
Money market mutual funds	$ 642	$ 642	$ -	$ -
Certificate of deposits	747,941	-	747,941	-
U.S. Treasury securities	3,300,755	-	3,300,755	-
Total assets	$ 4,049,338	$ 642	$ 4,048,696	$ -
Liabilities:				
Interest rate swap	$ 775,005	$ -	$ 775,005	$ -
Total liabilities	$ 775,005	$ -	$ 775,005	$ -

Note 16. Related Party Transactions

The School had notes payable, including accrued interest, outstanding in the amount of $2,166,793 and $2,042,217 at June 30, 2020 and 2019, respectively, with ELHSC (see Note 6). ELHSC made a contribution without restrictions to the School totaling $600,000 and $165,000 during the years ended June 30, 2020 and 2019, respectively. Amounts due from ELHSC for reimbursement of expenses were $7,274 and $35,388 at June 30, 2020 and 2019, respectively.

Euphemia L. Haynes
Public Charter School, Inc.

Financial Report
June 30, 2020

Contents

Independent Auditor's Report

Board of Trustees
Euphemia L. Haynes Public Charter School, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Euphemia L. Haynes Public Charter School, Inc. (the School), which comprise the balance sheets as of June 30, 2020 and 2019, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 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 Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report, dated October 30, 2020, on our consideration of the School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
October 30, 2020

Euphemia L. Haynes Public Charter School, Inc.

Balance Sheets
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 5,405,494	$ 4,200,939
Investments	4,147,826	4,049,338
Accounts receivable	227,111	68,113
Promises to give	-	5,000
Grants receivable	758,697	738,955
Prepaid expenses and other current assets	438,745	358,711
Total current assets	10,977,873	9,421,056
Restricted cash	1,947,942	1,545,961
Property and equipment, net	30,877,421	31,627,659
Due from ELH Support Corp.	7,274	35,388
Deposits	1,640	1,640
	$ 43,812,150	$ 42,631,704
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	993,306	1,251,703
Current portion of long-term debt	1,050,000	1,016,000
Total current liabilities	2,043,306	2,267,703
Interest rate swap liability	2,171,593	775,005
Long-term debt, net of current portion	30,702,791	31,350,353
	34,917,690	34,393,061
Contingencies and commitments (Notes 13 and 14)		
Net assets:		
Without donor restrictions	8,873,430	8,147,527
With donor restrictions	21,030	91,116
Total net assets	8,894,460	8,238,643
	$ 43,812,150	$ 42,631,704

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Activities
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019 Total
Revenue and support:				
Pupil allocation	**$ 25,580,180**	**$ -**	**$ 25,580,180**	$ 24,404,114
Other grants	**1,213,367**	**-**	**1,213,367**	1,112,161
Federal grants	**1,606,207**	**-**	**1,606,207**	1,610,710
Contributions	**705,876**	**163,542**	**869,418**	489,266
Program revenue	**89,574**	**-**	**89,574**	102,589
Investment income, net	**121,031**	**-**	**121,031**	110,166
Rental revenue	**2,290**	**-**	**2,290**	2,560
Net assets released from restrictions	**233,628**	**(233,628)**	**-**	-
Total revenue and support	**29,552,153**	**(70,086)**	**29,482,067**	27,831,566
Expenses:				
Program services	**25,992,798**	**-**	**25,992,798**	25,854,370
General and administrative	**979,372**	**-**	**979,372**	1,141,465
Fundraising	**457,492**	**-**	**457,492**	490,339
Total expenses	**27,429,662**	**-**	**27,429,662**	27,486,174
Change in net assets before other (loss) gain	**2,122,491**	**(70,086)**	**2,052,405**	345,392
Other (loss) gain:				
Loss on interest rate swap agreement	**(1,396,588)**	**-**	**(1,396,588)**	(1,135,095)
Contractual gain	**-**	**-**	**-**	2,772,712
Change in net assets	**725,903**	**(70,086)**	**655,817**	1,983,009
Net assets:				
Beginning	**8,147,527**	**91,116**	**8,238,643**	6,255,634
Ending	**$ 8,873,430**	**$ 21,030**	**$ 8,894,460**	$ 8,238,643

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Pupil allocation	$ 24,404,114	$ -	$ 24,404,114
Other grants	1,112,161	-	1,112,161
Federal grants	1,610,710	-	1,610,710
Contributions	338,952	150,314	489,266
Program revenue	102,589	-	102,589
Investment income, net	110,166	-	110,166
Rental revenue	2,560	-	2,560
Net assets released from restrictions	147,634	(147,634)	-
Total revenue and support	27,828,886	2,680	27,831,566
Expenses:			
Program services	25,854,370	-	25,854,370
General and administrative	1,141,465	-	1,141,465
Fundraising	490,339	-	490,339
Total expenses	27,486,174	-	27,486,174
Change in net assets before other gains	342,712	2,680	345,392
Other (loss) gain:			
Loss on interest rate swap agreement	(1,135,095)	-	(1,135,095)
Contractual gain	2,772,712	-	2,772,712
Change in net assets	1,980,329	2,680	1,983,009
Net assets:			
Beginning	6,167,198	88,436	6,255,634
Ending	$ 8,147,527	$ 91,116	$ 8,238,643

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020				
	Program Services	General and Administrative	Fundraising	Total	2019 Total
Personnel Salaries and Benefits:					
Principal/Administrative Salary	$ 1,056,181	$ 427,309	$ -	$ 1,483,490	$ 1,549,471
Teachers Salaries	5,849,988	-	-	5,849,988	5,652,234
Special Education Salaries	1,547,232	-	-	1,547,232	1,411,239
Teacher Aides/Assistants Salaries	912,717	-	-	912,717	833,366
Before/After Care Salaries	145,666	-	-	145,666	136,289
Other Education Professionals Salaries	2,808,520	-	-	2,808,520	2,477,100
Business/Operations Salaries	881,110	-	-	881,110	806,294
Clerical Salaries	384,520	-	-	384,520	360,266
Custodial Salaries	390,015	-	-	390,015	141,498
Other Staff Salaries	-	-	175,593	175,593	227,261
Employee Benefits	2,557,267	78,187	32,129	2,667,583	2,747,524
Contracted Staff	1,260,727	38,546	58,840	1,358,113	1,258,147
Staff Development Expense	716,406	21,904	9,001	747,311	507,622
Total Personnel Salaries and Benefits	18,510,349	565,946	275,563	19,351,858	18,108,311
Direct Student Costs:					
Textbooks	158,041	-	-	158,041	280,792
Student Supplies and Material	353,652	-	-	353,652	617,719
Student assessment fees	34,783	-	-	34,783	81,170
Contracted Instructional Fees	434,854	-	-	434,854	737,859
Food service	509,602	-	-	509,602	642,937
Other Direct Student Costs	306,056	-	-	306,056	223,444
Total Direct Student Costs	1,796,988	-	-	1,796,988	2,583,921
Occupancy Expenses:					
Rent	-	-	-	-	214,294
Maintenance and repairs	353,175	3,505	3,611	360,291	308,924
Utilities	362,141	3,594	3,703	369,438	388,664
Janitorial supplies	5,158	51	52	5,261	13,500
Other Occupancy	-	-	-	-	16,931
Contracted building services	456,471	4,530	4,667	465,668	803,392
Total Occupancy Expenses	1,176,945	11,680	12,033	1,200,658	1,745,705
Office Expenses:					
Office Supplies and Materials	188,154	5,842	2,401	196,397	111,374
Office Equipment Rental and Maintenance	117,264	3,585	1,473	122,322	125,213
Telephone/Telecommunication	100,677	3,078	1,265	105,020	79,747
Legal, Accounting and Payroll Services	434,960	88,299	5,465	528,724	530,604
Printing and copying	30,578	935	384	31,897	50,865
Postage and Shipping	8,624	264	108	8,996	19,031
Total Office Expenses	880,257	102,003	11,096	993,356	916,834
General Expenses:					
Insurance	95,355	2,915	1,198	99,468	93,821
Transportation	69,815	-	-	69,815	63,690
Administrative Fee (to PCSB)	-	252,668	-	252,668	185,954
Interest	1,321,567	13,117	13,512	1,348,196	1,388,859
Other general expense	504,908	9,471	126,753	641,132	734,165
Total General Expenses	1,991,645	278,171	141,463	2,411,279	2,466,489
Depreciation (Facility)	1,378,569	13,682	14,095	1,406,346	1,382,580
Depreciation Expense	258,045	7,890	3,242	269,177	282,334
	1,636,614	21,572	17,337	1,675,523	1,664,914
Total	$ 25,992,798	$ 979,372	$ 457,492	$ 27,429,662	$ 27,486,174

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Personnel Salaries and Benefits:				
Principal/Administrative Salary	$ 921,784	$ 627,687	$ -	$ 1,549,471
Teachers Salaries	5,652,234	-	-	5,652,234
Special Education Salaries	1,411,239	-	-	1,411,239
Teacher Aides/Assistants Salaries	833,366	-	-	833,366
Before/After Care Salaries	136,289	-	-	136,289
Other Education Professionals Salaries	2,477,100	-	-	2,477,100
Business/Operations Salaries	806,294	-	-	806,294
Clerical Salaries	360,266	-	-	360,266
Custodial Salaries	141,498	-	-	141,498
Other Staff Salaries	-	-	227,261	227,261
Employee Benefits	2,574,741	126,854	45,929	2,747,524
Contracted Staff	1,171,857	57,736	28,554	1,258,147
Staff Development Expense	475,699	23,437	8,486	507,622
Total Personnel Salaries and Benefits	16,962,367	835,714	310,230	18,108,311
Direct Student Costs:				
Textbooks	280,792	-	-	280,792
Student Supplies and Material	617,719	-	-	617,719
Student Assessment Fees	81,170	-	-	81,170
Contracted Instructional Fees	737,859	-	-	737,859
Food Service	642,937	-	-	642,937
Other Direct Student Costs	223,444	-	-	223,444
Total Direct Student Costs	2,583,921	-	-	2,583,921
Occupancy Expenses:				
Rent	210,061	2,085	2,148	214,294
Maintenance and repairs	302,822	3,006	3,096	308,924
Utilities	380,988	3,781	3,895	388,664
Janitorial supplies	13,234	131	135	13,500
Other Occupancy	16,596	165	170	16,931
Contracted building services	787,524	7,816	8,052	803,392
Total Occupancy Expenses	1,711,225	16,984	17,496	1,745,705
Office Expenses:				
Office Supplies and Materials	104,370	5,142	1,862	111,374
Office Equipment Rental and Maintenance	117,339	5,781	2,093	125,213
Telephone/Telecommunication	74,732	3,682	1,333	79,747
Legal, Accounting and Payroll Services	497,237	24,497	8,870	530,604
Printing and copying	47,667	2,348	850	50,865
Postage and Shipping	17,834	879	318	19,031
Total Office Expenses	859,179	42,329	15,326	916,834
General Expenses:				
Insurance	87,921	4,332	1,568	93,821
Transportation	63,690	-	-	63,690
Administrative Fee (to PCSB)	-	185,954	-	185,954
Interest	1,361,427	13,512	13,920	1,388,859
Other general expense	604,789	16,154	113,222	734,165
Total General Expenses	2,117,827	219,952	128,710	2,466,489
Depreciation (Facility)	1,355,272	13,451	13,857	1,382,580
Depreciation Expense	264,579	13,035	4,720	282,334
	1,619,851	26,486	18,577	1,664,914
Total	$ 25,854,370	$ 1,141,465	$ 490,339	$ 27,486,174

See notes to financial statements.

Euphemia L. Haynes Public Charter School, Inc.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 655,817**	$ 1,983,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**1,675,523**	1,664,914
Amortization of loan issuance costs	**102,769**	102,501
Interest expense added to principal of notes and bonds payable	**271,194**	245,871
Contractual gain	**-**	(2,772,712)
Loss on interest rate swap agreement	**1,396,588**	1,135,095
Realized and unrealized gain	**(18,787)**	(14,058)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(158,998)**	(65,192)
Promises to give	**5,000**	42,159
Grants receivable	**(19,742)**	(21,361)
Prepaid expenses and other current assets	**(80,034)**	(159,181)
Due from ELH Support Corp.	**28,114**	(30,121)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(332,177)**	(446,526)
Deferred revenue	**-**	(1,500)
Accrued rent	**-**	214,292
Accrued interest	**28,475**	(87,227)
Net cash provided by operating activities	**3,553,742**	1,789,963
Cash flows from investing activities:		
Purchases of property and equipment	**(851,505)**	(387,300)
Purchases of investments	**(79,701)**	(77,598)
Net cash used in investing activities	**(931,206)**	(464,898)
Cash flows from financing activities:		
Principal payments on long-term debt	**(1,016,000)**	(528,000)
Net cash used in financing activities	**(1,016,000)**	(528,000)
Net increase in cash and cash equivalents (unrestricted and restricted)	**1,606,536**	797,065
Cash and cash equivalents (unrestricted and restricted):		
Beginning	**5,746,900**	4,949,835
Ending	**$ 7,353,436**	$ 5,746,900

(Continued)

Euphemia L. Haynes Public Charter School, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	**$ 974,233**	$ 1,040,487
Supplemental schedules of noncash investing and financing activities:		
Noncash interest expense added to principal of notes and bonds payable	**$ 271,194**	$ 245,871
Property and equipment included in accounts payable	**$ 73,780**	$ 318,373

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: E.L. Haynes Public Charter School (the School), was incorporated as a non-stock and nonprofit organization on August 14, 2003, under the laws of the District of Columbia. The mission of the School is for every E.L. Haynes student of every race, socioeconomic status and home language to reach high levels of academic achievement and be prepared to succeed at the college of his or her choice. Every E.L. Haynes student will be adept at mathematical reasoning, will use scientific methods effectively to frame and solve problems and will develop the lifelong skills needed to be successful individuals, active community members and responsible citizens. The School is open to any District of Columbia child in pre-Kindergarten through 12th grade.

ELH Kansas Avenue, Inc. (ELH Kansas) was formed during the year ended June 30, 2010, as a District of Columbia not-for-profit corporation under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC), specifically for the benefit of the School. The purpose of ELH Kansas is to perform the functions of, or to carry out the charitable and educational purposes of the School. On June 26, 2019, ELH Kanas Avenue merged to the School and thus terminated the existence of ELH Kansas as a separate legal entity.

ELH Support Corporation (ELHSC) was formed in 2008 for charitable, educational and literary purposes within the meaning of Section 501(c)(3) of the IRC, specifically for the benefit of the School and similar organizations by helping secure resources of financing, fundraising, making or holding loans, etc. The School has no majority board representation, and there was no overlap of board members for the years ended June 30, 2019 and 2018. However, the School has the ability to appoint one member of the ELHSC Board of Directors. As such, the School and ELHSC are considered related parties. ELHSC is not consolidated with the School as the School does not control ELHSC.

Charter school agreement: The School has been approved by the District of Columbia Public Charter School Board (the Board) to operate a charter school in the District of Columbia. The contract, dated May 17, 2004, provided for a 15-year charter, unless sooner terminated in accordance with the contract. The School's enrollment ceiling, as registered with the Board, is 1,200 students through the school year 2018-2019. During June 2019, the School renewed the agreement with the Board for an additional 15-year term, effective July 1, 2019. Under the renewed agreement, the School's enrollment ceiling, as registered with the Board, remains unchanged at 1,200 students for the school year 2019–2020 and beyond. The School is paid an annual fixed rate per student by the Board.

A summary of the School's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: The financial statements of the School are prepared in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations and for the year ended June 30, 2019 include the accounts of ELH Kansas. All material intercompany balances and transactions have been eliminated. ELH Kansas had no activity during the year ended June 30, 2020.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (the Codification). As required by the Not-for-Profit Entities topics of the Codification, balance sheet and income statement, the School is required to report information regarding the financial position and activities in according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are the net assets that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions: Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the School pursuant to these stipulations. Net assets with restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period received. When a restriction expires (that is, when the time period passes or purpose is accomplished), net assets with restrictions are released. Net assets with donor restrictions were released from restrictions during the years ended June 30, 2020 and 2019, for various purposes, including after-school programs, college guidance, and support for alumni in college, library materials, physical education, gymnasium development and general operations. At June 30, 2020 and 2019, net assets with donor restrictions represented amounts restricted for specific education-related expenses.

Cash and cash equivalents and restricted cash and cash equivalents: The School considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held in the investment portfolio are excluded from cash and cash equivalents in reporting cash flows. Management maintains cash and cash equivalents as working capital to be used as needed. Restricted cash represents minimum balances with financial institutions required to be maintained under the terms of certain notes payable and unspent bond proceeds in cash and cash equivalents.

Investments: Investments of $4,147,826 and $4,049,338 at June 30, 2020 and 2019, respectively, consist of money market mutual funds, certificates of deposit and U.S. Treasury securities. Investments are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment income or loss in the statements of activities.

Financial risk: The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant financial risk on cash.

Receivables: Accounts and grants receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not recorded on any past due balances. Management has determined that receivables are fully collectible, and there was no allowance for doubtful receivables at June 30, 2020 and 2019.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Promises to give are carried at original amount pledged less an estimate made for doubtful promises based on a review of all outstanding pledges on a monthly basis. The School's promises to give are due in the next year. Management determines the allowance for doubtful accounts by regularly evaluating individual promises to give and considering prior history of donors and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received.

Property and equipment: The School capitalizes all property and equipment purchased with a cost of $1,000 or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years.

Valuation of long-lived assets: The School accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Debt issuance costs: Loan costs are comprised of various acquisition costs related to the debt acquired to fund the acquisition/rehabilitation of the School's buildings. These costs are being amortized over the term of the related debt agreements using the effective interest method. Unamortized debt issuance costs are reported with long-term debt.

Interest rate swap agreement: The interest rate swap is carried at fair value. The fair value of the interest rate swap agreement is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Per-pupil allocation: The School receives a student allocation from the District of Columbia to cover the cost of academic and facilities expenses. Per-pupil allocation revenue is recognized in the period when it is earned, which is the school year for which the allocation is made. Unearned pupil allocation received is recorded as deferred revenue.

Contributions: Contributions are recognized when the donor makes a gift or a promise to give to the School that is, in substance, unconditional. Donor-restricted revenue is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. Conditional contributions are recorded only to the extent that qualifying expenditures are made in accordance with agreements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Grants: The School receives grants from federal agencies and private grantors for various purposes. The grants provide for the development and support of the School's programs, materials and equipment. Grants received without conditions are treated consistent as unconditional contributions. Conditional grants are grants that contain a right of return or release by the resource provider and a barrier (performance obligations, control elements and/or the overall nature of the agreement). Receivables related to grant awards are recorded to the extent unreimbursed allowable expenses have been incurred for the purposes specified by an approved grant or award. The School defers grant collections under approved awards from grantors to the extent amounts received exceed expenditures incurred for the purposes specified under grant restrictions. These deferred grants are recorded as refundable advances.

The School has conditional grants from the federal and state governments. At June 30, 2020, the School has $9,644 of awarded, but not yet recognized grant funds.

Functional allocation of expenses: The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated on a percentage basis.

Income taxes: The School is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the IRC. In addition, the School qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no material unrelated business taxable income for the years ended June 30, 2020 and 2019.

The School follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of activities. The School files income tax returns in the U.S. federal jurisdiction. As of June 30, 2020 and 2019, there were no material unrecognized/derecognized tax benefits or tax penalties or interest.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The ASU was adopted by the School in 2020. As a result of adopting this standard, this guidance is applied on a modified prospective basis, meaning there is no cumulative-effect adjustment reflected in the opening balance of net assets. There was no material impact to the financial statements as a result of this adoption.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The School adopted ASU 2016-18 during the year ended June 30, 2020, and retrospectively applied this ASU to all periods presented. The adoption of this ASU resulted in a restatement of cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows as of July 1, 2018, in at the amount of $1,137,023.

Upcoming accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In May 2014 the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (generally accepted accounting principles (GAAP)) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative-effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09 one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2019.

The School is currently evaluating the impact of the aforementioned ASU’s on the financial statements.

Subsequent events: The School evaluated subsequent events through October 30, 2020, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2020	2019
Cash and cash equivalents, including restricted cash	$ 7,353,436	$ 5,746,900
Investments	4,147,826	4,049,338
Accounts receivable	227,111	68,113
Promises to give	-	5,000
Grants receivable	758,697	738,955
Total financial assets available	12,487,070	10,608,306
Less those unavailable for general expenditure within one year due to:		
Contractual or other restrictions		
Restricted cash (Note 3)	(1,947,942)	(1,545,961)
Donor-imposed restrictions		
Net assets with donor restrictions	(21,030)	(91,116)
	(1,968,972)	(1,637,077)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,518,098	$ 8,971,229

The School has various sources of liquidity at its disposal, including cash and cash equivalents, and investments. As part of liquidity management, the School invests cash in excess of daily requirements in short-term investments. The School assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

Note 3. Restricted Cash

Restricted cash at June 30, 2020 and 2019 is as follows:

	2020	2019
Minimum balance maintained	$ 1,934,132	$ 1,532,276
Unspent bond proceeds	13,810	13,685
	$ 1,947,942	$ 1,545,961

Note 4. Investments

Investments at June 30, 2020 and 2019, consists of the following:

	2020	2019
Money market mutual funds	$ 1,339,411	$ 642
Certificates of deposit	2,808,415	747,941
U.S. Treasury securities	-	3,300,755
	$ 4,147,826	$ 4,049,338

Investment income for the years ended June 30, 2020 and 2019, consists of the following:

	2020	2019
Interest and dividends	$ 102,244	$ 96,108
Realized and unrealized gain	18,787	14,058
	$ 121,031	$ 110,166

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at June 30, 2020, and depreciation expense for the year then ended, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	20 to 40 years	$ 14,397,339	$ (6,621,912)	$ 7,775,427	$ 436,551
Leasehold improvements	Life of lease	23,093,346	(7,763,802)	15,329,544	969,794
Land	–	6,538,842	-	6,538,842	-
Computers	3 years	2,805,526	(1,991,809)	813,717	146,444
Software	7 years	23,475	(22,808)	667	2,000
Furniture and equipment	7 years	1,484,469	(1,065,245)	419,224	120,734
		$ 48,342,997	$ (17,465,576)	$ 30,877,421	$ 1,675,523

Property and equipment and accumulated depreciation at June 30, 2019, and depreciation expense for the year then ended, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Building and improvements	20 to 40 years	$ 13,941,680	$ (6,185,359)	$ 7,756,321	$ 413,183
Leasehold improvements	Life of lease	23,077,833	(6,794,007)	16,283,826	969,396
Land	–	6,538,842	-	6,538,842	-
Computers	3 years	2,547,735	(1,964,339)	583,396	140,557
Software	7 years	23,475	(20,808)	2,667	2,000
Furniture and equipment	7 years	1,407,118	(944,511)	462,607	139,778
		$ 47,536,683	$ (15,909,024)	$ 31,627,659	$ 1,664,914

Note 6. Long-Term Debt

On May 15, 2015, the School entered into a loan agreement with a financial institution, whereby the School borrowed $21,952,000 through the use of District of Columbia Revenue Bonds (Euphemia L. Haynes Public Charter School, Inc. Issue Series 2015). The proceeds were fully used in the transaction to refinance debt incurred related to the construction of a school building at 3600 Georgia Avenue, NW, Washington, D.C (Georgia Avenue Property). The bonds are held with the financial institution as a private placement. The interest rate is variable as defined in the agreement under various interest rate options with an applicable spread of 2.2%. However, to hedge for the effects of potential increases in floating interest rates, the School has entered into an interest rate swap agreement. The agreement calls for a fixed rate of 1.87% on the notional principal amount (Note 8). After considering the impact of the swap agreement, the School is effectively paying a fixed interest rate of 4.07% on the bond issuance. The loan calls for monthly payments of principal and interest through March 1, 2031 with a balloon payment of approximately $5.9 million due on April 1, 2031. The loan is secured by the Georgia Avenue Property and improvements made on the facility at 4501 Kansas Avenue, NW, Washington, D.C. (Kansas Avenue Property) as well as revenues from operations. The associated credit agreement requires certain financial covenants to be met (including, but not limited to, a day's cash on hand and debt service coverage ratio).

Long-term debt as of June 30, 2020 and 2019, consists of the following:

	2020	2019
Principal amount (see table below)	$ 32,830,798	$ 33,547,112
Less unamortized loan issuance costs	(1,078,007)	(1,180,759)
	31,752,791	32,366,353
Less current portion of long term debt	(1,050,000)	(1,016,000)
	$ 30,702,791	$ 31,350,353

Notes payable at June 30, 2020 and 2019 are as follows:

	2020	2019
Loan payable to 233 Genesee Street Corporation, with interest at variable rates as defined in the loan agreement, but partially hedged with an interest rate swap at a fixed rate of 1.87%; monthly principal and interest payments due effective September 1, 2015; secured by an interest in Georgia Avenue property and improvements made on the Kansas Avenue facility and substantially all of the assets. Includes accrued interest of $28,498 and $81,185 at June 30, 2020 and 2019, respectively.	$ 19,572,000	$ 20,588,000
Loan payable to ELHSC with interest at 6%; Note due on April 1, 2031; subordinated by other debt. Includes accrued interest of $10,780 and $10,160 respectively.	2,203,664	2,042,860
Qualified School Constructions Bonds (see Note 7)	11,055,134	10,916,252
	$ 32,830,798	$ 33,547,112

Note 6. Long-Term Debt (Continued)

Aggregate maturities of long-term debt at June 30, 2020 are due in future years as follows:

Years ending June 30:	
2021	$ 1,050,000
2022	1,096,000
2023	1,136,000
2024	1,184,000
2025	1,232,000
Thereafter	27,132,798
	$ 32,830,798

Interest expense, including amortization of loan costs, related to long-term debt incurred for the years ended June 30, 2020 and 2019, was $1,348,196 and $1,388,859 respectively.

Note 7. Qualified School Construction Bonds Payable

On February 22, 2012, the District of Columbia issued Revenue Bonds (E.L. Haynes Public Charter School Issue) QSCB (Taxable-Tax Credit Bonds), Series 2012, with no interest. At issuance, ELHSC purchased the bonds from the District of Columbia. The QSCB have a face value of $13,350,000 and proceeds after issued discount were $10,150,000. The QSCB mature at face value on February 22, 2031. The proceeds from the QSCB are used to finance the final phase of development of the Kansas Avenue Property of the School to house upper grades. The QSCB are secured by a shared collateral agreement funded principally by per-pupil payments of the School. In addition, the QSCB is secured with a Kansas Avenue Property Leasehold Deed of Trust and Security Agreement. The accreted value of the QSCB at June 30, 2020 and 2019 amounted to $11,055,134 and $10,916,252, respectively.

The QSCB requires the following sinking fund installment payments:

Years ending June 30:	
2021	$ 387,949
2022	387,949
2023	387,949
2024	387,949
2025	387,949
Thereafter	11,410,255
	13,350,000
Less discount on bonds payable	(2,294,866)
	$ 11,055,134

Note 8. Interest Rate Swap Agreement

During the year ended June 30, 2015, the School entered into an interest rate swap agreement with M&T Bank for a notional amount equal to the obligation under the loan payable (2015 Bonds – see Note 6), whereby a portion of the floating debt was swapped into a fixed rate through the termination date of the swap, which is February 21, 2031. The agreement calls for a fixed rate of 1.87% on the notional principal amount, which was $19,648,000 and $20,662,000 at June 30, 2020 and 2019, respectively. The swap mechanism is intended to allow the School to realize potential of a lower fixed rate. As of June 30, 2020 and 2019, the fair value of the swap agreement was a liability of $2,171,593 and $775,005, respectively.

Note 9. Retirement Plan

The School offers a 403(b) retirement plan option (the Plan) for substantially all of its employees. In addition, the School contributes a percentage of compensation, which is determined by the Board of Trustees. For the years ended June 30, 2020 and 2019, the Trustees approved a 3% employer contribution. Total expense for the Plan amounted to $192,607 and $391,081 for the years ended June 30, 2020 and 2019, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions of $21,030 and $91,116 at June 30, 2020 and 2019, respectively, were for student education and services. Net assets of $233,628 and $147,634 for the years ended June 30, 2020 and 2019, respectively, were released from restrictions either as expenses were incurred, which satisfied the restricted purposes of the net assets, or by the occurrence of other events, as specified by the donors.

Note 11. Concentration

The School is supported primarily through pupil allocations from the District of Columbia. For the years ended June 30, 2020 and 2019, approximately 87% and 88%, respectively, of total revenue and support was provided from the District of Columbia. Reduction of this source of support would have a significant impact on the School's programs and activities.

Note 12. Pupil Allocation

The School's pupil allocation for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
General education	$ 14,713,931	$ 14,123,720
Special education, At Risk and ESOL	7,077,689	6,576,889
Facility allowance	3,788,560	3,703,505
	$ 25,580,180	$ 24,404,114

Note 13. Contingencies

Federal grants: The School participates in federally assisted grant programs, which are subject to financial and compliance audits by the grantors or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Legal matters: In the normal course of business, the School is subject to certain claims and assessments that arise from the ordinary course of business. The School records a liability when management believes that it is both probable that a loss has been incurred and that the amount can be reasonably estimated. Significant judgement is required to determine the outcome and the estimates amounts of a loss related to such matters. Management believes there are no claims or assessments outstanding that would materially affect the activities or financial position of the School.

Note 13. Contingencies (Continued)

Pandemic: The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including geographical areas in which the School operates. While the School has mitigated the financial impact to is business, it is unknown how long these conditions will last and what the complete financial effect will be to the School. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 14. Lease Commitment

The School executed a lease contract with the District of Columbia for the real property located at 4501 Kansas Avenue, NW, Washington, D.C. The term of the lease is for 25 years, with annual base rent due of $693,000. The lease commencement date was April 2010. The lease provides for rent credits for certain approved construction and related costs. The rent credits are used to offset the minimum rent due on a dollar-for-dollar basis.

During May 2019, the School received an additional rent credit pursuant to the lease agreement. The School is entitled to apply rent credits against the full rental obligation through June 30, 2036.

As of June 30, 2020, future minimum rental payments required under this lease, net of rent abatements, are as follows:

	Rent Obligation	Rent Abatements	Net Obligation
Years ending June 30:			
2021	$ 693,000	$ (693,000)	$ -
2022	693,000	(693,000)	-
2023	693,000	(693,000)	-
2024	693,000	(693,000)	-
2025	693,000	(693,000)	-
Thereafter	6,930,000	(6,930,000)	-
	$ 10,395,000	$ (10,395,000)	$ -

The School did not incur rent expense under this lease during the year ended June 30, 2020. Rent expense under this lease was $214,294 for year ended June 30, 2019.

Note 15. Fair Value Measurements

The School follows the Fair Value Measurement Topic of the FASB ASC, which establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs not corroborated by market data.

Note 15. Fair Value Measurements (Continued)

In determining the appropriate levels, the School performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the School at June 30, 2020 and 2019.

The School holds money market funds that are publically traded on a stock exchange and are considered Level 1 items. Corporate certificates of deposit and U.S. Treasury securities are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full-term of the instruments and are, therefore, considered Level 2 items.

The School's swap agreement is valued based on quoted values stated by the bank's mark-to-market estimate using stated fixed rates and USD-LIBOR-BBA ratings. The interest rates are observable at commonly quoted intervals for the full term of the instrument and are, therefore, considered Level 2 items.

The table below presents the balances of the assets measured at fair value at June 30, 2020, on a recurring basis, by level, within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Fixed income:				
Money market mutual funds	$ 1,339,411	$ 1,339,411	$ -	$ -
Certificate of deposits	2,808,415	-	2,808,415	-
Total assets	$ 4,147,826	$ 1,339,411	$ 2,808,415	$ -
Liabilities:				
Interest rate swap	$ 2,171,593	$ -	$ 2,171,593	$ -
Total liabilities	$ 2,171,593	$ -	$ 2,171,593	$ -

The table below presents the balances of the asset and liability measured at fair value at June 30, 2019, on a recurring basis, by level, within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Fixed income:				
Money market mutual funds	$ 642	$ 642	$ -	$ -
Certificate of deposits	747,941	-	747,941	-
U.S. Treasury securities	3,300,755	-	3,300,755	-
Total assets	$ 4,049,338	$ 642	$ 4,048,696	$ -
Liabilities:				
Interest rate swap	$ 775,005	$ -	$ 775,005	$ -
Total liabilities	$ 775,005	$ -	$ 775,005	$ -

Note 16. Related Party Transactions

The School had notes payable, including accrued interest, outstanding in the amount of $2,166,793 and $2,042,217 at June 30, 2020 and 2019, respectively, with ELHSC (see Note 6). ELHSC made a contribution without restrictions to the School totaling $600,000 and $165,000 during the years ended June 30, 2020 and 2019, respectively. Amounts due from ELHSC for reimbursement of expenses were $7,274 and $35,388 at June 30, 2020 and 2019, respectively.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Trustees
Euphemia L. Haynes Public Charter School, Inc.

We have audited the financial statements Euphemia L. Haynes Public Charter School, (the School) as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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.

RSM US LLP

Washington, D.C.
October 30, 2020

Euphemia L. Haynes Public Charter School, Inc.

Schedule of Vendors Awarded Contracts Equal to or Exceeding $25,000
Year Ended June 30, 2020

Vendor	Type of Work Performed	Total Contract Awarded or Paid
Carefirst	Health insurance	$ 1,459,589
Springboard Education in America	Contracted instruction - after school program	604,879
Revolution Foods, Inc.	Student meals	472,968
DC Public Charter School Board	Authorizer	409,233
Sentinel Benefits	Retirement benefits	407,491
Enriched Schools	Contracted instruction - substitutes	323,420
BradCorp Services, Inc.	Building cleaning	297,607
Urban Teacher Center	Contracted instruction fees	244,000
Pepco	Utilities	243,741
Amazon	Office and student supplies	227,038
EdOps	Accounting	179,148
ADP	Payroll	165,861
MetLife	Health insurance	150,911
Hartford	Business insurance	140,479
Dynamic Network Solutions, Inc.	IT services	115,825
W.L. Gary Company, Inc.	Building maintenance and repairs	111,779
The Achievement Network	Student assessment services	109,000
RSM US LLP	Auditing	103,161
Reliance Standard Life Insurance Company	Life insurance	97,036
Building Hope / Charter School Services Corporation	IT services	92,870
School Leader Lab	Professional development	89,313
ACSI Translations	Translations	89,012
Northstar Education Partners	Strategy consulting	86,652
Infinite Campus	Student information system	84,158
Lauren E. Baum, PC	Legal	78,750
Landsowne	Professional development	76,404
Copier Workshop, Inc.	Copier rental	75,139
Staples	Office and student supplies	73,473
DC Water and Sewer Authority	Utilities	71,695
Jive Communications Inc.	Telecom	62,381
Ana Lorena Beltran Santana	Translations	62,245
KIPP DC	Special education	62,000
Kelly Services, Inc.	Contracted instruction - substitutes	56,982
Metro Smart Benefits	Staff travel	49,683
Wells Fargo Vendor Fin Serv	Copier rental	48,825
NEUE NOW	Fundraising	48,506
Colonial Landscape and Design, Inc.	Landscaping	46,350
Law offices of Charles Moran, PLLC	Legal work	45,000
Great Minds	Curriculum	44,028
FundED Strategies	Development and grant writing	43,000

(Continued)

Euphemia L. Haynes Public Charter School, Inc.

Schedule of Vendors Awarded Contracts Equal to or Exceeding $25,000 (Continued)
Year Ended June 30, 2020

Vendor	Type of Work Performed	Total Contract Awarded or Paid
Littler Mendelson P.C.	Legal services	$ 42,187
Instruction Partners	Contracted substitute services	41,391
Hook Hall	Staff development	40,245
Santos Construction Services	Landscaping and snow removal	38,045
The Origins Program	Staff development	37,670
Mona Electric Group, Inc.	Electrical repair work	34,533
Capital Carpet LLC.	Carpet repair work	65,252
Washington Gas	Utilities	33,232
Jessica Law	Contracted substitute services	32,589
Sprint	Telecom	31,902
Houghton Mifflin Company	Curriculum	27,602
M and G Services Unlimited Inc.	Maintenance and repair work	25,541
Goodflight Media	Video production and editing	25,000

Euphemia L. Haynes Public Charter School, Inc.

Uniform Guidance
Supplementary Financial Report
Year Ended June 30, 2020

Contents

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*

Independent Auditor's Report

Board of Trustees
Euphemia L. Haynes Public Charter School, Inc.

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 Euphemia L. Haynes Public Charter School, Inc. (the School), which comprise the balance sheet as of June 30, 2020, 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 October 30, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
October 30, 2020

**Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

Independent Auditor's Report

Board of Trustees
Euphemia L. Haynes Public Charter School, Inc.

Report on Compliance for the Major Federal Program
We have audited Euphemia L. Haynes Public Charter School, Inc. (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2020. The School's major federal program is 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 the 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 the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the School's compliance.

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

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the School as of and for the year ended June 30, 2020, and we have issued our report thereon dated October 30, 2020, which contained 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
October 30, 2020

Euphemia L. Haynes Public Charter School, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant/ Contract Number	Pass-through Grant/ Contract Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Education					
Pass-through:					
District of Columbia Office of State Superintendent of Education:					
Title I Grants to Local Educational Agencies	84.010A	S010A190051	84.010A	$ 575,452	$ -
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027A	H027A190010-19A	A2027A	232,105	-
Special Education Preschool Grants	84.173A	H173A190006	A2173A	1,374	-
				233,479	-
English Language Acquisition State Grants	84.365A	S365A190051	84.365A	36,369	-
Supporting Effective Instruction State Grants	84.367A	S367A190008	84.367A	150,770	-
DC Opportunity Scholarship Program	84.370C	U370C190001	CHOICE	171,964	-
Student Support and Academic Enrichment Program	84.424A	S424A190009	84.424A	58,041	-
Total, U.S. Department of Education				1,226,075	-
U.S. Department of Health and Human Services					
Pass-through:					
District of Columbia Office of the Mayor:					
Temporary Assistance for Needy Families (TANF) Cluster:					
Temporary Assistance for Needy Families	93.558	N/A	N/A	52,815	-
Total, U.S. Department of Health and Human Services				52,815	-
U.S. Department of Agriculture					
Pass-through:					
District of Columbia Office of State Superintendent of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	N/A	N/A	68,931	-
National School Lunch Program:	10.555	N/A	N/A		
Cash				225,336	-
Commodities				33,050	-
Total, Program 10.555				258,386	-
Total, Department of Agriculture				327,317	-
Total expenditures of federal awards				$ 1,606,207	$ -

See notes to schedule of expenditures of federal awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Euphemia L. Haynes Public Charter School, Inc.'s (the School) programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. There are no subrecipient expenditures.

Note 3. Indirect Cost Rate

The School did not elect to use the 10% de minimis cost rate as covered in §200.414 indirect (F&A) costs.

Euphemia L. Haynes Public Charter School, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
▪ Material weakness(es) identified?	_____ Yes	X No
▪ Significant deficiency(ies) identified?	_____ Yes	X None Reported
Noncompliance material to financial statements noted?	_____ Yes	X No

Federal Awards

Internal control over the major program:		
▪ Material weakness(es) identified?	_____ Yes	X No
▪ Significant deficiency(ies) identified?	_____ Yes	X None Reported
Type of auditor's report issued on compliance for the major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	X No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.010A	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	_____ No

Section II. Financial Statement Findings

None Reported.

Section III. Findings and Questioned Costs for Federal Awards

None Reported.

Euphemia L. Haynes Public Charter School, Inc.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

There were no findings reported for the year ended June 30, 2019.