

**EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

**Financial Statements and Supplemental Schedules  
Together with Reports of Independent  
Public Accountants**

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



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2020 AND 2019**

## **CONTENTS**

<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	<b>3</b>
Statements of Financial Position	
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Vendors Contracted for Services in Excess of \$25,000 (Unaudited)	21
Report of Independent Public Accountants on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Report of Independent Public Accountants on Compliance for Each Major Federal Program and on Internal Controls over Compliance in Accordance with the Uniform Guidance	25
Schedule of Expenditures of Federal Awards	27
Notes to the Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs	29
Schedule of Prior Year Findings and Questioned Costs	31



## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees  
Eagle Academy Public Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Eagle Academy Public Charter School (the School), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the auditing standards established pursuant to the District of Columbia School Reform Act, Public law No. 104-134, 110 Stat. 1321-121, 2204(C)(11)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 controls 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 controls. 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.



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

### ***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 Matters***

Our audits were 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 in the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of vendors contracted for services in excess of \$25,000, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, is required by the District of Columbia Public Charter School Board, and has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the School's internal controls 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 controls 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 controls 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 controls over financial reporting and compliance.

Washington, DC  
December 8, 2020

*SB & Company, LLC*

**EAGLE ACADEMY PUBLIC CHARTER SCHOOL****Statements of Financial Position  
As of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,428,786	\$ 771,261
Restricted cash	800,677	873,775
Grants and accounts receivable, net	1,726,623	2,471,921
Employee loans	24,969	23,318
Prepaid expenses	94,773	234,777
<b>Total Current Assets</b>	<u>5,075,828</u>	<u>4,375,052</u>
Other assets	275,002	45,002
Property and equipment, net	29,317,909	26,195,022
<b>Total Assets</b>	<u>\$ 34,668,739</u>	<u>\$ 30,615,076</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,656,688	\$ 1,967,645
Line of credit	1,000,000	1,000,000
Notes payable, current portion	603,777	537,469
<b>Total Current Liabilities</b>	<u>5,260,465</u>	<u>3,505,114</u>
Security deposit payable	43,750	-
Notes payable, net of current portion	19,541,211	18,733,331
<b>Total Liabilities</b>	<u>24,845,426</u>	<u>22,238,445</u>
<b>Net Assets</b>		
Net assets without donor restrictions	9,809,851	7,678,961
Net assets with donor restrictions	13,462	697,670
<b>Total Net Assets</b>	<u>9,823,313</u>	<u>8,376,631</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 34,668,739</u>	<u>\$ 30,615,076</u>

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

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Statements of Activities and Changes in Net Assets For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenue and Support:</b>		
Per pupil funding	\$ 15,750,260	\$ 15,195,234
DC facilities allowance	2,737,055	2,734,394
Federal grants	1,372,452	2,055,127
Federal entitlements	704,123	694,353
Grants and contributions	677,908	517,081
Before and after care	630,185	635,135
Student fees	-	1,118
Interest income	2,661	31,242
Other income	255,941	506,455
Satisfaction of restrictions	684,208	1,158,726
<b>Total Revenue and Support</b>	<b>22,814,793</b>	<b>23,528,865</b>
<b>Expenses</b>		
Program services	17,846,397	18,003,950
Supporting services:		
General and administrative	5,016,753	4,268,430
Fundraising	278,768	237,976
Total Supporting Services	5,295,521	4,506,406
<b>Total Expenses</b>	<b>23,141,918</b>	<b>22,510,356</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(327,125)</b>	<b>1,018,509</b>
<b>Other Grant Revenue</b>		
Paycheck Protection Program Funding	2,458,015	-
<b>Change in Net Assets Without Donor Restrictions before other grant activity</b>	<b>2,130,890</b>	<b>1,018,509</b>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants	-	640,630
Satisfaction of restrictions	(684,208)	(1,158,726)
<b>Change in Net Assets with Donor Restrictions</b>	<b>(684,208)</b>	<b>(518,096)</b>
Changes in net assets	1,446,682	500,413
Net assets, beginning of year	8,376,631	7,876,218
<b>Net Assets, End of Year</b>	<b>\$ 9,823,313</b>	<b>\$ 8,376,631</b>

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

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Statement of Functional Expenses For the Year Ended June 30, 2020, with Comparative Totals for 2019

	Program	General and Administrative	Fundraising	Total	2019 Totals
Personnel Expenses:					
Instructional staff	\$ 8,099,726	\$ -	\$ -	\$ 8,099,726	\$ 7,631,202
School administration	577,909	3,082,182	192,636	3,852,727	3,152,574
Support services	624,616	156,154	-	780,770	1,065,233
Employee benefits	1,662,456	578,741	34,427	2,275,624	2,089,203
Total Personnel Expenses:	10,964,707	3,817,077	227,063	15,008,847	13,938,212
Direct Student Costs:					
Food service	540,855	-	-	540,855	633,983
Contracted staff & consultants	1,628,744	-	-	1,628,744	2,112,351
Classroom furnishings and equipment	1,434	-	-	1,434	2,321
Technology, computers and materials	85,430	-	-	85,430	75,637
Library and media materials	25,724	-	-	25,724	6,735
Miscellaneous student costs	29,590	-	-	29,590	83,786
Student assessment materials	21,483	-	-	21,483	29,490
Summer school expenses	-	-	-	-	3,845
Student supplies and materials	102,487	-	-	102,487	129,166
Parent and staff programs	6,675	-	-	6,675	6,587
Textbooks and curriculum	61,478	-	-	61,478	19,619
Other	-	-	-	-	427
Depreciation expense	293,460	-	-	293,460	212,843
Total Direct Student Costs	2,797,360	-	-	2,797,360	3,316,790
Occupancy Expenses:					
Amortization	22,261	5,636	282	28,179	28,179
Mortgage interest expense and line of credit fees	514,772	130,322	6,516	651,610	542,192
Contracted building services	351,476	88,981	4,449	444,906	522,314
Equipment rental and maintenance	39,510	10,003	500	50,013	54,981
Janitorial supplies	23,252	5,887	294	29,433	32,649
Maintenance and repairs	281	73	4	358	1,905
Miscellaneous occupancy expenses	-	-	-	-	1,643
Rent expense	259,714	65,751	3,288	328,753	346,387
Occupancy expense	325	83	4	412	-
Taxes	238,457	60,369	3,019	301,845	321,146
Utilities	233,394	59,088	2,954	295,436	376,890
Depreciation expense	481,754	121,962	6,098	609,814	591,764
Total Occupancy Expenses	2,165,196	548,155	27,408	2,740,759	2,820,050
General and Office Expenses:					
Professional services	816,645	206,746	10,337	1,033,728	832,529
Staff development	76,419	19,347	967	96,733	275,319
Administrative fees	169,020	42,790	2,139	213,949	225,316
Insurance	176,251	44,621	2,231	223,103	182,722
Credit card fees	3,701	937	47	4,685	5,003
Donations and contributions	2,176	551	28	2,755	-
Miscellaneous general services	75,786	19,186	959	95,931	102,138
Travel	114,676	29,032	1,452	145,160	216,759
Marketing and advertising	248,779	62,982	3,149	314,910	313,803
Depreciation expense	14,722	3,727	186	18,635	10,352
Copying and printing	-	-	-	-	2,169
Office Expenses	715	181	9	905	-
Equipment rental and maintenance	35,456	8,976	449	44,881	45,838
Miscellaneous office expenses	6,776	1,715	86	8,577	9,789
Office furnishings and equipment	1,685	427	21	2,133	19,426
Postage and shipping	1,814	459	23	2,296	1,751
Supplies and materials	89,514	22,662	1,133	113,309	56,716
Bad debt expense	-	165,663	-	165,663	-
Telephone and communications	84,999	21,519	1,081	107,599	135,674
Total General and Office Expenses	1,919,134	651,521	24,297	2,594,952	2,435,304
<b>Total Expenses</b>	<b>\$ 17,846,397</b>	<b>\$ 5,016,753</b>	<b>\$ 278,768</b>	<b>\$ 23,141,918</b>	<b>\$ 22,510,356</b>

The accompanying notes are an integral part of this financial statement.

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Statement of Functional Expenses For the Year Ended June 30, 2019

	Program	General and Administrative	Fundraising	Total
Personnel Expenses:				
Instructional staff	\$ 7,631,202	\$ -	\$ -	\$ 7,631,202
School administration	472,886	2,522,059	157,629	3,152,574
Support services	852,186	213,047	-	1,065,233
Employee benefits	1,579,159	482,251	27,793	2,089,203
Total Personnel Expenses:	10,535,433	3,217,357	185,422	13,938,212
Direct Student Costs:				
Food service	633,983	-	-	633,983
Contracted staff & consultants	2,112,351	-	-	2,112,351
Classroom furnishings and equipment	2,321	-	-	2,321
Technology, computers and materials	75,637	-	-	75,637
Library and media materials	6,735	-	-	6,735
Miscellaneous student costs	83,786	-	-	83,786
Student assessment materials	29,490	-	-	29,490
Summer school expenses	3,845	-	-	3,845
Student supplies and materials	129,166	-	-	129,166
Parent and staff programs	6,587	-	-	6,587
Textbooks and curriculum	19,619	-	-	19,619
Other	427	-	-	427
Depreciation expense	212,843	-	-	212,843
Total Direct Student Costs	3,316,790	-	-	3,316,790
Occupancy Expenses:				
Amortization	22,261	5,636	282	28,179
Mortgage interest expense	428,332	108,438	5,422	542,192
Contracted building services	412,628	104,463	5,223	522,314
Equipment rental and maintenance	43,435	10,996	550	54,981
Janitorial supplies	25,793	6,530	326	32,649
Maintenance and repairs	1,504	382	19	1,905
Miscellaneous occupancy expenses	1,298	329	16	1,643
Rent expense	273,646	69,277	3,464	346,387
Taxes	253,705	64,229	3,212	321,146
Utilities	297,743	75,378	3,769	376,890
Depreciation expense	467,493	118,353	5,918	591,764
Total Occupancy Expenses	2,227,838	564,011	28,201	2,820,050
General and Office Expenses:				
Professional services	657,698	166,506	8,325	832,529
Staff development	217,502	55,064	2,753	275,319
Administrative fees	178,000	45,063	2,253	225,316
Insurance	144,350	36,545	1,827	182,722
Credit card fees	3,952	1,001	50	5,003
Miscellaneous general services	80,690	20,427	1,021	102,138
Travel	171,239	43,352	2,168	216,759
Depreciation expense	8,178	2,070	104	10,352
Copying and printing	1,713	434	22	2,169
Equipment rental and maintenance	36,212	9,168	458	45,838
Marketing and advertising	247,904	62,761	3,138	313,803
Miscellaneous office expenses	7,733	1,958	98	9,789
Office furnishings and equipment	15,347	3,885	194	19,426
Postage and shipping	1,383	350	18	1,751
Supplies and materials	44,806	11,343	567	56,716
Telephone and communications	107,182	27,135	1,357	135,674
Total General and Office Expenses:	1,923,889	487,062	24,353	2,435,304
<b>Total Expenses</b>	<b>\$ 18,003,950</b>	<b>\$ 4,268,430</b>	<b>\$ 237,976</b>	<b>\$ 22,510,356</b>

The accompanying notes are an integral part of this financial statement.



# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,446,682	\$ 500,413
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	950,088	843,138
Allowance for uncollectable accounts	165,663	-
Forgiveness of notes payable	(2,458,015)	-
Effect of changes in non-cash operating assets and liabilities:		
Grants and accounts receivable, net	579,635	244,459
Employee loans	(1,651)	(5,650)
Prepaid expenses	140,004	(173,869)
Deposits	(230,000)	(14,539)
Accounts payable and accrued expenses	902,258	581,757
Security deposit payable	43,750	-
<b>Net Cash from Operating Activities</b>	<u>1,538,414</u>	<u>1,975,709</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(3,258,011)	(4,715,160)
<b>Net Cash from Investing Activities</b>	<u>(3,258,011)</u>	<u>(4,715,160)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit, net	-	500,000
Proceeds from notes payable	3,887,823	-
Principal payments on notes payable	(583,799)	(926,167)
<b>Net Cash from Financing Activities</b>	<u>3,304,024</u>	<u>(426,167)</u>
Net change in cash and cash equivalents	1,584,427	(3,165,618)
Cash and cash equivalents, beginning of year	1,645,036	4,810,654
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,229,463</u>	<u>\$ 1,645,036</u>
<b>Supplemental Disclosure</b>		
Cash paid during the year for interest	<u>\$ 743,426</u>	<u>\$ 755,164</u>
Reconciliation of cash and cash equivalents to statement of financial position		
Cash and cash equivalents	\$ 2,428,786	\$ 771,261
Restricted cash	800,677	873,775
<b>Total Cash and Cash Equivalents</b>	<u>\$ 3,229,463</u>	<u>\$ 1,645,036</u>

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

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **1. ORGANIZATION AND PROGRAM**

Eagle Academy Public Charter School (the School), a nonprofit organization incorporated in the District of Columbia (the District), has been granted 501(c)(3) status by the Internal Revenue Service. On August 18, 2003, the School entered into a contract with the District of Columbia Public Charter School Board granting the School a charter for the establishment of a public charter school in the District, as authorized by the DC School Reform Act. The charter was renewed on July 1, 2018, for another fifteen years.

As a public charter school, the School has a funding stream from the District (uniform per pupil funding) and the U.S. Federal government (Federal grants for education and other programs) provided it meets certain compliance requirements. A public charter school is considered a Local Educational Agency (LEA) under Federal education guidelines. As such, the School enjoys significant freedom from the budget and operational restrictions placed on traditional public schools, allowing it to create a unique educational mission and approach.

The School provides educational opportunities to children from preschool to third grade in poverty-impacted households and economically distressed communities in the District. The School is the District's first exclusively early childhood specialty public school. It seeks to develop a solid academic foundation for each student, believing that through play, children will learn pre-reading and pre-math skills that will enable them to understand more complex skills. Educational goals include: (i) enabling each student to achieve grade-level maturity; (ii) encouraging parent participation regularly in school and home assigned activities in order to achieve a holistic academic environment, and (iii) establishing a solid community relationship so that children understand the importance of becoming a responsible member of their community.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements of the School have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Cash and Cash Equivalents**

The School considers all cash in the bank and other short-term investments with original maturities of less than 90 days to be cash and cash equivalents. Cash equivalents as of June 30, 2020 and 2019, consisted of money market funds.

#### **Restricted Cash**

As of June 30, 2020, restricted cash related to cash held by the School in connection with an arbitration agreement related to one of its construction projects. Restricted cash as of June 30, 2019, related to unspent bond proceeds held in escrow. The balance in the escrow accounts was \$800,677 and \$873,775 as of June 30, 2020 and 2019, respectively.

#### **Financial Instruments**

Financial instruments consist of cash and cash equivalents, grants and accounts receivable, accounts payable and notes payable. The carrying value of the School's financial instruments in the accompanying statements of financial position approximated their respective fair values as of June 30, 2020 and 2019. Fair values are estimated based on current market rates, prices or liquidation value.

#### **Grants and Accounts Receivable**

Grants and accounts receivable mostly represent revenue earned, but not collected as of the year end, as well as amounts due from the District of Columbia government for property tax refunds. Receivables are recorded at their net realizable value. The School provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The School's estimate is based on historical collection experience and a review of the current status of specific uncollected amounts. Management recorded an allowance for doubtful accounts in the amount of \$165,663, as of June 30, 2020, related to amounts due from the District of Columbia government for property tax refunds. There was no allowance for doubtful accounts as of June 30, 2019.

#### **Deferred Financing Costs**

Deferred financing costs consist of debt issuance costs, such as bank fees and legal costs, associated with obtaining its debt. During the year ended June 30, 2017 the School incurred loan financing costs of \$732,627. These deferred financing costs are being amortized over the life of the applicable debt using the effective interest rate method. Accounting principles generally accepted in the United States of America requires that debt issuance costs be presented in the statements of financial position as a direct deduction from the carrying value of the associated debt liability. Net deferred financing costs were \$648,089 and \$676,269, as June 30, 2020 and 2019, respectively. Amortization expense was \$28,179, for each of the years ended June 30, 2020 and 2019.

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Property and Equipment, net**

Property and equipment valued in excess of \$1,000, with an estimated useful life of more than one year, are capitalized and recorded at cost if purchased or estimated fair market value as of the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expense as incurred.

#### **Advertising Costs**

The costs of advertising are expensed when the services are received. Advertising expense for the years ended June 30, 2020 and 2019, were \$314,910 and \$313,803, respectively.

#### **Net Assets**

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the School has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions. The net assets with donor restrictions was \$13,462 and \$697,670, as of June 30, 2020 and 2019, respectively, which are related to the School's instruction, nutrition and facilities improvement activities, and time restricted spending.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by the School in perpetuity. There were no net assets with donor restrictions in perpetuity as of June 30, 2020 and 2019.

#### **Revenue and Support**

The School received a student allocation from the District as well as Federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding and a facilities allotment. The School recognizes this funding in the year in which the school term is conducted. The School also received revenue from the District Department of Health Care Finance (DHCF) related to Medicaid. DHCF revenue is recorded as the fee for service is earned and adjusted in the current year based on historical cost report audit results. Revenue from other sources is recognized as earned.

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue and Support (continued)**

Contributions and grants received are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional contribution and grants, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Revenue from other government sources is recognized as earned. It is considered earned once all conditions are met. In addition, the School recognizes revenue for student activities, such as field trips, as the activities take place.

#### **Functional Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Expenses are charged directly to program services, and fundraising based on specific identification, when determinable. Salaries and benefits are charged to programs based on time and effort. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the School. The basis of the allocation for most costs is direct salaries, while direct student costs are 100% attributed to educational programs.

#### **Income Taxes**

The School is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), as well as applicable the District tax laws.

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes (continued)

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions as of June 30, 2020, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of June 30, 2020, the statute of limitations for fiscal years 2017 through 2020 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### Accounting Pronouncements Implemented

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard was effective for periods beginning after December 15, 2018. The School adopted this standard in fiscal year 2020. The adoption of ASU 2018-08 did not have a material effect on the financial statements.

#### Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842*, and ASU No. 2018-11, *Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2019.

Management is evaluating the effects of this pronouncement on the financial statements and will implement the pronouncement by its effective date.

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Liquidity and Availability of Resources**

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The School has a goal to maintain financial assets on hand to meet at least 45 days of operating expenses. Additionally, its current ratio goal (total current assets to current liabilities) is 1.0. To help manage unanticipated liquidity needs, the School had a line of credit in the amount of \$1,000,000, and as of June 30, 2020, there were no amounts available to be drawn upon.

In addition to financial assets available to meet general expenditures over the next 12 months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the School's cash.

As of June 30, 2020, the following table shows the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 2,428,786
Grants and accounts receivable, net	<u>1,726,623</u>
Total financial assets	4,155,409
Less: financial assets with donor restrictions	<u>(13,462)</u>
Financial assets to meet general expenditures over the next 12 months	<u><u>\$ 4,141,947</u></u>

#### **Subsequent Events**

The School's management evaluated the accompanying financial statements for subsequent events and transactions through December 8, 2020, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

## EAGLE ACADEMY PUBLIC CHARTER SCHOOL

### Notes to the Financial Statements June 30, 2020 and 2019

#### 3. PROPERTY AND EQUIPMENT

As of June 30, 2020 and 2019, property and equipment consisted of the following:

	<b>2020</b>	<b>2019</b>	<b>Estimated Useful Life</b>
Land	\$ 522,049	\$ 522,049	N/A
Building	20,788,668	20,788,668	40 years
Construction in progress	10,207,193	6,894,092	N/A
Building improvements	1,365,347	1,215,190	1 to 10 years
Playground	157,374	80,618	7 years
Computers	1,261,236	1,010,457	5 years
Equipment and furnishings	995,713	741,710	7 years
Vehicles	24,402	24,402	3 years
<b>Total</b>	<b>35,321,982</b>	<b>31,277,186</b>	
Less: accumulated depreciation	6,004,073	5,082,164	
<b>Property and Equipment, Net</b>	<b>\$ 29,317,909</b>	<b>\$ 26,195,022</b>	

Depreciation expense was \$921,909 and \$814,959, for the years ended June 30, 2020 and 2019, respectively.

The School has entered into a sublease agreement to lease the Naylor Road property beginning July 2020 through June 2025. The scheduled base monthly payments on this lease are \$43,750, with an applied escalation clause. The future minimum lease payments expected to be received under the sublease agreement are as follows:

<b>Years Ending June 30,</b>	<b>Amount</b>
2021	\$ 525,000
2022	725,000
2023	820,160
2024	863,182
2025	900,000
<b>Total</b>	<b>\$ 3,833,342</b>



# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

### 4. NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable from District of Columbia Office of the State Superintendent of Education (DC OSSE) dated May 25, 2017, bearing interest of 4.50%, payable in quarterly payments in year 1 of \$22,500 and year 2 and onward of \$70,700, beginning on August 15, 2017, with a balloon payment of remaining principal and unpaid interest due on May 25, 2022.	\$ 1,839,539	\$ 1,946,072
Note payable from DC Revenue Bonds Series A dated May 25, 2017 for borrowings up to \$15,000,000, and Series B dated May 25, 2017 for borrowings up to \$3,500,000, for which John Marshall Bank is the banker and trustee. These notes bear interest at LIBOR plus 3.52%, payable in monthly payments beginning July 1, 2017. Principal is payable monthly and shall begin June 1, 2018. The bonds are to be paid on a monthly interest and principal basis based on a 26-year amortization schedule with a maturity date of May 1, 2043.	17,523,730	18,000,996
The District's Property Assessed Clean Energy (PACE) program financing: \$1,279,000 dated October 31, 2019 with interest payable on the unpaid principal at a rate of 4.63% per annum. The loan has a maturity date of October 31, 2041.	1,279,908	-
The Economic Injury Disaster Loan (EIDL) of \$149,900 issued by the U.S. Small Business Administration. EIDL Loan has a 2.75% interest rate with a 30 year payment term.	149,900	-
<b>Total Notes Payable</b>	<u><b>\$ 20,793,077</b></u>	<u><b>\$ 19,947,068</b></u>

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

### 4. NOTES PAYABLE (continued)

During the year ended June 30, 2020, the School received a Paycheck Protection Program (PPP) loan in the amount of \$2,458,015. The terms of the PPP loan require the proceeds to be spent on eligible expenses, which are primarily payroll related costs. Part or all of the loan may be forgiven based on meeting certain conditions as set forth in the loan agreement. Any portion of the PPP loan that is not forgiven must be repaid, after a seven-month deferral period at an interest rate of 1%. The School also received the Economic Injury Disaster Loan (EIDL) in the amount of 149,900, during the year ended June 30, 2020. The EIDL funds can be used for working capital and normal operating expenses. The EIDL can be repaid over 30 years, and will accrue interest at 2.75%.

The PPP loan and EIDL were received from the U.S Federal government under the Coronavirus Aid, Relief and Economic Security (CARES) Act passed by Congress. As of June 30, 2020, the School believes it has met the conditions to have the entire PPP loan forgiven and has recorded the PPP loan as other grant revenue in the accompanying statements of activities and changes in net assets. Management believes incurred allowable expenses is the only condition of the PPP loan and the forgiveness application is an administrative in nature. As of June 30, 2020, the Organization has recorded the EIDL as a liability.

Subsequent to year end, the school filed the application for loan forgiveness for the PPP loan.

Notes payable, net consisted of the following as of June 30,

	<b>2020</b>	<b>2019</b>
Principal amount	\$ 20,793,077	\$ 19,947,068
Less: unamortized debt issuance cost	648,089	676,268
Note payable, net	<u>\$ 20,144,988</u>	<u>\$ 19,270,800</u>

The future minimum payment on the notes payable as of June 30, 2020, were as follows:

<b>Years Ending June 30,</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2021	\$ 752,069	\$ 603,777	\$ 1,355,846
2022	729,675	626,170	1,355,845
2023	706,435	649,410	1,355,845
2024	682,317	673,528	1,355,845
2025	657,287	698,559	1,355,846
2026 and thereafter	6,298,031	17,541,633	23,839,664
<b>Total</b>	<u>\$ 9,825,814</u>	<u>\$ 20,793,077</u>	<u>\$ 30,618,891</u>

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **4. NOTES PAYABLE (continued)**

The notes from DC OSSE and from the DC Revenue Bonds are collateralized by a general business security agreement. The DC OSSE note is subordinated to the DC Revenue Bonds Series A and Series B. Prepayments on these notes are not allowed without obtaining permission from the Bank. The DC OSSE note subjects the School to certain financial covenants and submission of the audited financial statements no later than December 1. The School obtained a waiver from the bank for the submission of the financial statements.

During fiscal year 2017, the School received \$18,500,000 in tax-exempt District of Columbia 501(c)3 Revenue bonds, along with \$2,000,000 in new funding for new building construction and planned improvements to the existing properties and closing costs for the new financing. The bonds bear interest at 3.52%. Principal and interest payments in the amount of \$92,814, are due monthly through May 2043.

Interest expense was \$640,138 and 523,542, for the years ended June 30, 2020 and 2019, respectively.

### **5. LINE OF CREDIT**

In October 2017, the School entered in an agreement with a financial institution under which it can borrow up to \$500,000. The agreement was amended on June 24, 2019, increasing the line of credit to \$1,000,000, which expired on July 25, 2020. The balance on the line of credit was \$1,000,000, as of June 30, 2020 and 2019. The line of credit bears interests at a rate per annum equal at all times to the rate of interest published daily in the Wall Street Journal as its prime interest rate, plus 1%. As of June 30, 2020 and 2019, the rate was 4.25% and 6.5%, respectively. Interest expense on the line of credit was \$11,472 and \$18,650, for the years ended June 30, 2020 and 2019, respectively.

In July 2020, the line of credit matured and was paid in full.

### **6. COMMITMENTS AND CONTINGENCIES**

#### **Operating Leases**

The School has various non-cancellable operating leases for buildings and office equipment. The School leased a building located at 1017 New Jersey Avenue, SE, Washington, DC under a lease that expired on June 19, 2020. The School extended the lease to September 30, 2020 to allow for additional time to complete the new location. In 2020, the School leased a building located at 1900 Half Street, S.W., Washington, DC 20024. This new location was to maintain the School's presence in Ward 6. In 2019, the School entered into a lease agreement for its current office space, located at 400 Virginia Avenue, SW, Suite 710, Washington DC, which expires in June 2025.

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2020 and 2019

### 6. COMMITMENTS AND CONTINGENCIES (continued)

#### Operating Leases (continued)

The future minimum lease payments required under the building leases as of June 30, 2020, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 320,126
2022	828,215
2023	848,912
2024	870,129
2025	891,876
2026 and thereafter	5,610,480
<b>Total</b>	<b><u>\$ 9,369,738</u></b>

Lease expense under the operating leases totaled \$373,634 and \$392,225, for the years ended June 30, 2020 and 2019, respectively.

In addition, the School does not own the land at 3400 Wheeler Road, SE, Washington, DC. The School is leasing the land from the District for 25 years, with an option to renew up to two additional 25-year terms. The School does not pay rent under this lease.

#### Grants

The School receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School.

As of June 30, 2020, cost reports for fiscal years 2019 and 2020 remain open, subject to audit by DHCF. Management periodically reviews and adjusts recorded amounts due to or from third-party payors. The School's management believes such disallowance, if any, would be immaterial. Laws and regulations governing the Medicaid programs are complex and subject to interpretation.

The School receives a substantial portion of its revenue from the Government of the District of Columbia. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2020 and 2019, the School earned revenue of \$21,032,222 and \$21,837,834, respectively, from the Government of the District of Columbia, which was approximately 92% and 93%, of the total revenue and support, respectively. These amounts are reflected as per pupil funding, DC facilities allowance, Federal grants, and Federal entitlements in the accompanying statements of activities and changes in net assets.

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Financial Statements June 30, 2020 and 2019**

### **6. COMMITMENTS AND CONTINGENCIES (continued)**

#### **Risks and Uncertainties**

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States as the number of people infected grew at an unprecedented rate. The COVID-19 outbreak is still evolving, and its financial impact remains unknown. The School has taken the impact of COVID-19 into consideration when evaluating impairment to certain assets and enrollment for the 2020-21 school year; however, the School is currently unable to determine the extent of the impact to its future financial condition and operating results.

#### **Litigation**

The School may be subject to various claims and legal proceedings covering a wide range of matters that may arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the School.

### **7. EMPLOYEE RETIREMENT PROFIT SHARING PLAN**

The School has a qualified profit-sharing plan for all eligible employees. The plan provides that employees can elect to make contributions to the plan in accordance with the Internal Revenue Code. The School may, but is not required to, make discretionary matching or non-elective contributions to the plan. Discretionary matching contributions of \$102,797 and \$76,065, were made during the years ended June 30, 2020 and 2019, respectively.

## **SUPPLEMENTARY INFORMATION**

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Schedule of Vendors Contracted for Services in Excess of \$25,000 For the Year Ended June 30, 2020

(UNAUDITED)

<b>Vendor Name</b>	<b>Services Provided</b>	<b>Contract Value or Payments</b>	<b>Related-Party</b>
Costello Construction	Contracted building services	\$ 1,329,812	No
BenefitMall	Health insurance	1,310,822	No
Paradigm Investment Group Services L.P.	Rent	431,024	No
Educational Solutions, LLC	Contracted student services	288,295	No
Crystal Star Associates, LLC	Accounting services	246,245	No
Performance Foodservice	Food services	224,827	No
Cresa Global, Inc.	Contracted building services	230,000	No
DC Public Charter School Board (DCPCSB)	Administrative fees	213,949	No
Clear Connection, Inc.	Contracted building services	203,420	No
Urban Teacher Center, Inc.	Contracted student services	197,000	No
Trident, DMG	Marketing/public relations	196,530	No
Shinberg Levinas, LLC	Contracted building services	176,649	No
GCSS, LLC	School security	173,053	No
C.J. Maintenance, Inc	Janitorial services	170,206	No
Capitol Management Resources	Contracted building services	169,194	No
What's on Second Properties, LLC	Rent	167,424	No
PEPCO- Wheeler Rd	Utilities	165,547	No
American Reading Company	Curriculum	137,250	No
Keany Produce Company	Food services	132,148	No
	Contracted student services	123,870	No
400 Virginia Avenue, LLC	Rent	115,383	No
Infinite Potential	Contracted student services	103,223	No
Wu/Grohovsky, PLLC	Legal	101,488	No
Hartford	Workers compensation insurance	93,183	No
TT&T General Contractor, LLC	Contracted building services	93,140	No
AlignStaffing	Temporary staffing	92,613	No
Critical Systems, LLC	Equipment - building	84,683	No
Cloverland Farms Dairy	Food services	79,303	No
Springboard Collaborative	Contracted student services	78,750	No
Office Depot	Office furniture	75,904	No
Youth Policy Institute, Inc	Contracted student services	75,103	No
Advocate Staffing Inc.	Temporary staffing	70,618	No
M.Russell & Associates	Contracted student services	63,973	No
Comcast 900015218	Internet communications	61,718	No
Erie insurance Company	Insurance	59,425	No
Jemal's Lazriv Water LLC	Contracted building services	58,897	No
Wells Fargo Vendor Fin Serv	Equipment rentals	57,562	No
DC Water & Sewer Authority	Utilities	56,496	No
Cohen Seglias Pallas Greenhall & Furman,	Legal	55,922	No
Great Minds	Textbooks and supplies	54,821	No
Step By Step Therapy, LLC	Contracted student services	53,931	No
Paycom	Payroll services	53,011	No

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Schedule of Vendors Contracted for Services in Excess of \$25,000 (continued) For the Year Ended June 30, 2020

(UNAUDITED)

Vendor Name	Services Provided	Contract Value or Payments	Related-Party
Prime Permits	Contracted building services	\$ 49,282	No
Brustein & Manasevit, PLLC	Legal	48,816	No
FPC Holdings, Inc.	Food services	46,563	No
Houghton Mifflin Harcourt Publishing Co.	Textbooks and supplies	46,514	No
BDO	Accounting services	44,529	No
Principal National Life insurance Company	Insurance	44,511	No
SB & Company, LLC	Auditing	42,812	No
Mouton insurance Brokerage, Inc.	Insurance	42,446	No
Wells Fargo Financial Leasing-9956	Equipment rentals	41,052	No
VIKA Capitol, LLC	Contracted building services	39,914	No
TriMark Adams Burch	Food services	39,826	No
Stinson,LLP	Legal	38,957	No
Hillis- Carnes Capitol Services, PLLS	Contracted building services	38,756	No
Arent Fox, LLP	Legal	37,571	No
Susan Barnett	Contracted student services	33,403	No
Blake Real Estate, Inc.	Contracted building services	33,000	No
Landscapers, LLC	Contracted building services	32,504	No
Deborah Victor	Contracted building services	31,325	No
LET'S GO Boys & Girls	Contracted student services	27,850	No
TEQlease, Inc.	Technology	27,515	No
Pepco- R St.	Utilities	27,409	No
Washington Gas 1482054	Utilities	26,858	No
Agile Office, LLC	Office furniture	26,800	No
W.L. Gary Company, Inc	Contracted building services	26,720	No
Holland & Knight LLP	Contracted building services	26,241	No
CDW-G	Technology	25,491	No





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

To the Board of Trustees  
Eagle Academy Public Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Eagle Academy Public Charter School (the School), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2020.

**Internal Controls over Financial Reporting**

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

*A deficiency in internal controls* 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 controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal controls 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Washington, DC  
December 8, 2020



## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Trustees  
Eagle Academy Public Charter School

### **Report on Compliance for Each Major Federal Program**

We have audited Eagle Academy Public Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major Federal programs for the year ended June 30, 2020. The School's major federal program is identified in the summary of independent public accountants' 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 each of the School's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 each major Federal program. However, our audit does not provide a legal determination of the School's compliance.

### ***Opinion on Each 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 each of its major Federal programs for the year ended June 30, 2020.

### **Report on Internal Controls over Compliance**

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

*A deficiency in internal controls 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 controls over compliance* is a deficiency, or combination of deficiencies, in internal controls 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal controls over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls 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 controls over compliance is solely to describe the scope of our testing of internal controls 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.

Washington, DC  
December 8, 2020

*SB & Company, LLC*

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Amount Pass Through to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
<u>Pass-through District of Columbia Office of the State Superintendent of Education (OSSE)</u>				
Twenty-First Century Community Learning Centers Medicaid Cluster	84.287	Unknown	\$ 404,056	-
Medical Assistance Program	93.778	Unknown	184,712	-
<b>Total U.S. Department of Health and Human Services</b>			<b>588,768</b>	<b>-</b>
<b>U.S. Department of Education</b>				
<u>Pass-through OSSE</u>				
Title I Grants to Local Educational Agencies	84.010A	Unknown	418,049	-
Title I Grants to Local Educational Agencies 2019	84.010A	Unknown	41,813	-
Title II Grants to Local Educational Agencies	84.395A	Unknown	92,144	-
Title II Grants to Local Educational Agencies 2019	84.395A	Unknown	20,836	-
Title IV Grants to Local Educational Agencies	84.424A	Unknown	55,272	-
<u>Special Education Cluster (IDEA)</u>				
Special Education Grants to States (IDEA, Part B)	84.027	Unknown	134,157	-
Special Education Preschool Grants (IDEA Preschool)	84.173	Unknown	4,501	-
<b>Total Special Education Cluster (IDEA)</b>			<b>138,658</b>	<b>-</b>
Education Agency Grants - School Climate	84.184G	Unknown	66,435	-
Education Agency Grants - CSP CMO - FY2020	84.282M	Unknown	82,770	-
Education Agency Grants - CSP CMO - FY2019	84.282M	Unknown	73,657	-
DC Opportunity Scholarship Program (SOAR IAQ-EC GRANT) -2019	84.370C	Unknown	165,536	-
<b>Total U.S. Department of Education</b>			<b>1,155,170</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>				
<u>Pass-through OSSE</u>				
<u>Child Nutrition Cluster</u>				
National School Lunch Program	10.555	Unknown	356,293	-
School Breakfast Program	10.553	Unknown	243,947	-
<b>Total Child Nutrition Cluster</b>			<b>600,240</b>	<b>-</b>
Fresh Fruit and Vegetable Program	10.582	Unknown	59,492	-
Child and Adult Care Food Program	10.558	Unknown	141,297	-
<b>Total U.S. Department of Agriculture</b>			<b>801,029</b>	<b>-</b>
<b>Small Business Association</b>				
<u>Disaster Assistance Loans</u>				
Economic Injury Disaster Loan - CARES Act	59.008	Unknown	149,900	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,694,867</b>	<b>\$ -</b>

# **EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

## **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

All Federal grant operations of Eagle Academy Public Charter School (the School) are included in the scope of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. The programs on the schedule of expenditures of Federal awards (the Schedule) represent all Federal award programs for fiscal year 2020 cash and non-cash expenditure activities. For compliance, we tested to ensure coverage of at least 20% of Federally granted funds. Actual coverage is 32% of total cash and non-cash Federal award program expenditures.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Single Audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### **2. BASIS OF PRESENTATION**

The accompanying Schedule includes the Federal award activity of the School and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in the Single Audit.

### **3. MEDICAID ADMINISTRATION SUPPORT PROGRAM**

Medicaid expenditures of \$184,712, is not included in the threshold amount to require an entity to have a Single Audit because there is already separate and sufficient monitoring of this program being done. However, for the purposes of the schedule of expenditures of Federal awards reporting, the Medicaid payments must be reported.

# EAGLE ACADEMY PUBLIC CHARTER SCHOOL

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

### Financial Statements

Type of Independent Public Accountants' Report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

### Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance?	No

### Identification of Major Program:

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Title I Grants to Local Educational Agencies	84.010A	\$ 459,862
Twenty-First Century Community Learning Centers	84.287	404,056
		<u>\$ 863,918</u>
Threshold used to distinguish between type A and type B programs		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?		Yes

**EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

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

**Section II –Financial Statement Findings**

None noted.

**Section III –Federal Award Findings**

None noted.



**EAGLE ACADEMY PUBLIC CHARTER SCHOOL**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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