

EARLY CHILDHOOD ACADEMY PUBLIC CHARTER SCHOOL  
AND SUBSIDIARY

WASHINGTON, DC

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COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

**KENDALL, PREBOLA AND JONES**

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Trustees  
Early Childhood Academy  
Public Charter School and Subsidiary  
885 Barnaby Street, SE  
Washington, DC 20032

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Early Childhood Academy Public Charter School and Subsidiary 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*****Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of financial position and the consolidating statements of activities are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Information**

We have audited the consolidated financial statements of the Early Childhood Academy Public Charter School and Subsidiary as of and for the years ended June 30, 2020 and 2019, and our report thereon dated December 17, 2020, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of the Early Childhood Academy Public Charter School and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Early Childhood Academy Public Charter School and Subsidiary's internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 17, 2020

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 6,518,711	\$ 7,919,955
Accounts Receivable	143,907	105,650
Promises Receivable	82,563	156,131
Escrow Receivable	-	4,940
Prepaid Expenses	<u>31,539</u>	<u>18,885</u>
Total Current Assets	<u>\$ 6,776,720</u>	<u>\$ 8,205,561</u>
<u>Fixed Assets:</u>		
Fixed Assets - Net of Accumulated Depreciation	\$ 15,031,418	\$ 112,545
Land	1,642,489	1,642,489
Construction in Progress	<u>-</u>	<u>13,950,328</u>
Total Fixed Assets	<u>\$ 16,673,907</u>	<u>\$ 15,705,362</u>
<u>Long-Term Assets:</u>		
Cash Restricted for Debt Service	\$ 456,319	\$ 533,571
Notes Receivable	<u>11,140,800</u>	<u>11,140,800</u>
Total Long-Term Assets	<u>\$ 11,597,119</u>	<u>\$ 11,674,371</u>
<u>Other Assets:</u>		
Deposits	\$ -	\$ 43,082
Total Other Assets	\$ -	\$ 43,082
TOTAL ASSETS	<u>\$ 35,047,746</u>	<u>\$ 35,628,376</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 232,735	\$ 2,054,077
Accrued Salary and Vacation	200,451	168,189
Payroll Withholdings and Related Liabilities	49,479	35,371
Accrued Interest Payable	147,084	7,367
Refundable Advance	18,049	-
Current Portion: Long-Term Debt	<u>48,140</u>	<u>46,033</u>
Total Current Liabilities	<u>\$ 695,938</u>	<u>\$ 2,311,037</u>
<u>Long-Term Liabilities:</u>		
Loans Payable - Net of Debt Issuance Costs	\$ 11,520,907	\$ 11,549,221
Loans Payable - (NMTC) Net of Debt Issuance Costs	15,164,617	15,081,024
Less: Current Portion	<u>(48,140)</u>	<u>(46,033)</u>
Total Long-Term Liabilities	<u>\$ 26,637,384</u>	<u>\$ 26,584,212</u>
Total Liabilities	<u>\$ 27,333,322</u>	<u>\$ 28,895,249</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 7,714,424	\$ 6,733,127
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 7,714,424</u>	<u>\$ 6,733,127</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,047,746</u>	<u>\$ 35,628,376</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Per-Pupil Funding Allocation	\$ 5,118,481	\$ -	\$ 5,118,481	\$ 4,321,866	\$ -	\$ 4,321,866
Per-Pupil Funding - Facilities Allowance	950,475	-	950,475	828,802	-	828,802
Contributions - Paycheck Protection Program	454,426	-	454,426	-	-	-
Contributions - Federal Awards	507,480	-	507,480	1,233,367	-	1,233,367
Donated Federal Commodities	6,742	-	6,742	15,045	-	15,045
Contributions - State Awards	24,243	-	24,243	29,974	-	29,974
Private Grants and Contributions	15,665	4,639	20,304	3,880	6,580	10,460
Service Fees	50,574	-	50,574	67,203	-	67,203
Student Fees	66,341	-	66,341	79,714	-	79,714
Interest	578,029	-	578,029	500,723	-	500,723
Special Events (Net)	6,414	-	6,414	6,245	-	6,245
Loss on Disposal of Fixed Assets	(8,060)	-	(8,060)	(1,168)	-	(1,168)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	4,639	(4,639)	-	6,580	(6,580)	-
Total Revenues and Other Support	\$ 7,775,449	\$ -	\$ 7,775,449	\$ 7,092,231	\$ -	\$ 7,092,231
<u>Expenses and Losses:</u>						
Educational Services	\$ 5,543,430	\$ -	\$ 5,543,430	\$ 4,761,143	\$ -	\$ 4,761,143
Fundraising	34,570	-	34,570	23,590	-	23,590
General and Administrative	1,216,152	-	1,216,152	1,137,914	-	1,137,914
Total Expenses	\$ 6,794,152	\$ -	\$ 6,794,152	\$ 5,922,647	\$ -	\$ 5,922,647
Changes in Net Assets	\$ 981,297	\$ -	\$ 981,297	\$ 1,169,584	\$ -	\$ 1,169,584
Net Assets, Beginning of Year	6,733,127	-	6,733,127	5,563,543	-	5,563,543
Net Assets, End of Year	\$ 7,714,424	\$ -	\$ 7,714,424	\$ 6,733,127	\$ -	\$ 6,733,127

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

June 30, 2020

	<u>Early Childhood Academy Public Charter School</u>				<u>Support Corporation</u>		<u>Total</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>										
Principal/Executive Salaries	\$ 323,788	\$ 255,656	\$ 49,492	\$ 18,640	\$ -	\$ -	\$ 323,788	\$ 255,656	\$ 49,492	\$ 18,640
Teachers' Salaries	1,050,221	1,050,221	-	-	-	-	1,050,221	1,050,221	-	-
Teachers' Aides/Assistants' Salaries	462,753	462,753	-	-	-	-	462,753	462,753	-	-
Other Educational Professional Salaries	282,740	273,065	9,675	-	-	-	282,740	273,065	9,675	-
Substitute Teacher Salaries	13,896	13,896	-	-	-	-	13,896	13,896	-	-
Clerical Salaries	231,924	203,517	23,155	5,252	-	-	231,924	203,517	23,155	5,252
Custodial/Food Service Staff	155,760	115,098	40,662	-	-	-	155,760	115,098	40,662	-
Before and After Care Salaries	135,429	135,429	-	-	-	-	135,429	135,429	-	-
Business Operation Salaries	480,305	263,665	216,640	-	-	-	480,305	263,665	216,640	-
Employee Benefits	399,676	353,359	43,273	3,044	-	-	399,676	353,359	43,273	3,044
Payroll Taxes	259,734	229,634	28,121	1,979	-	-	259,734	229,634	28,121	1,979
Staff Development Costs	73,379	67,387	5,992	-	-	-	73,379	67,387	5,992	-
<b>Total Personnel, Salaries and Benefits</b>	<b>\$ 3,869,605</b>	<b>\$ 3,423,680</b>	<b>\$ 417,010</b>	<b>\$ 28,915</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,869,605</b>	<b>\$ 3,423,680</b>	<b>\$ 417,010</b>	<b>\$ 28,915</b>
<u>Direct Student Costs:</u>										
Food Service	\$ 204,296	\$ 204,296	\$ -	\$ -	\$ -	\$ -	\$ 204,296	\$ 204,296	\$ -	\$ -
Student Supplies and Materials	53,217	53,217	-	-	-	-	53,217	53,217	-	-
Contracted Instructional/Student Services	354,740	354,740	-	-	-	-	354,740	354,740	-	-
Transportation	8,120	8,120	-	-	-	-	8,120	8,120	-	-
Other Student Costs	3,202	3,202	-	-	-	-	3,202	3,202	-	-
<b>Total Direct Student Costs</b>	<b>\$ 623,575</b>	<b>\$ 623,575</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 623,575</b>	<b>\$ 623,575</b>	<b>\$ -</b>	<b>\$ -</b>
<u>Occupancy Costs:</u>										
Rent	\$ 51,159	\$ 46,808	\$ 4,163	\$ 188	\$ -	\$ -	\$ 51,159	\$ 46,808	\$ 4,163	\$ 188
Utilities	51,689	47,294	4,205	190	-	-	51,689	47,294	4,205	190
Cleaning and Maintenance	40,224	36,803	3,273	148	-	-	40,224	36,803	3,273	148
Depreciation	346,742	317,255	28,213	1,274	-	-	346,742	317,255	28,213	1,274
Contracted Building Services	79,911	73,116	6,502	293	-	-	79,911	73,116	6,502	293
Loan Amortization Interest	86,450	79,099	7,034	317	10,607	10,607	97,057	79,099	17,641	317
Interest Expense	650,358	595,052	52,917	2,389	561,424	561,424	1,211,782	595,052	614,341	2,389
Property Taxes	1,170	1,071	95	4	-	-	1,170	1,071	95	4
<b>Total Occupancy Costs</b>	<b>\$ 1,307,703</b>	<b>\$ 1,196,498</b>	<b>\$ 106,402</b>	<b>\$ 4,803</b>	<b>\$ 572,031</b>	<b>\$ 572,031</b>	<b>\$ 1,879,734</b>	<b>\$ 1,196,498</b>	<b>\$ 678,433</b>	<b>\$ 4,803</b>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

June 30, 2020

	<u>Early Childhood Academy Public Charter School</u>				<u>Support Corporation</u>		<u>Total</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>										
Office Supplies and Materials	\$ 21,423	\$ 19,601	\$ 1,743	\$ 79	\$ -	\$ -	\$ 21,423	\$ 19,601	\$ 1,743	\$ 79
Consulting	32,016	20,452	11,564	-	-	-	32,016	20,452	11,564	-
Equipment Rental and Maintenance	6,551	5,994	533	24	-	-	6,551	5,994	533	24
Telecommunications	28,824	26,373	2,345	106	-	-	28,824	26,373	2,345	106
Postage and Shipping	732	670	59	3	-	-	732	670	59	3
Printing and Copying	10,703	9,793	871	39	-	-	10,703	9,793	871	39
Marketing and Promotion	8,400	7,714	686	-	-	-	8,400	7,714	686	-
Total Office Expenses	\$ 108,649	\$ 90,597	\$ 17,801	\$ 251	\$ -	\$ -	\$ 108,649	\$ 90,597	\$ 17,801	\$ 251
<u>General Expenses:</u>										
Insurance	\$ 32,376	\$ 29,623	\$ 2,634	\$ 119	\$ -	\$ -	\$ 32,376	\$ 29,623	\$ 2,634	\$ 119
Licenses and Fees	3,534	3,233	288	13	-	-	3,534	3,233	288	13
Accounting and Legal Services	54,663	7,750	46,913	-	10,226	10,226	64,889	7,750	57,139	-
Payroll Service Fees	16,599	15,188	1,350	61	-	-	16,599	15,188	1,350	61
Administrative Fees	60,519	51,441	9,078	-	-	-	60,519	51,441	9,078	-
Depreciation	68,341	62,530	5,561	250	-	-	68,341	62,530	5,561	250
Dues and Subscriptions	29,886	27,344	2,432	110	-	-	29,886	27,344	2,432	110
Office Expense	13,084	11,971	1,065	48	-	-	13,084	11,971	1,065	48
Contributions	1,528	-	1,528	-	-	-	1,528	-	1,528	-
Bad Debt Expense	21,492	-	21,492	-	-	-	21,492	-	21,492	-
Income Taxes	341	-	341	-	-	-	341	-	341	-
Total General Expenses	\$ 302,363	\$ 209,080	\$ 92,682	\$ 601	\$ 10,226	\$ 10,226	\$ 312,589	\$ 209,080	\$ 102,908	\$ 601
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 6,211,895</b>	<b>\$ 5,543,430</b>	<b>\$ 633,895</b>	<b>\$ 34,570</b>	<b>\$ 582,257</b>	<b>\$ 582,257</b>	<b>\$ 6,749,152</b>	<b>\$ 5,543,430</b>	<b>\$ 1,216,152</b>	<b>\$ 34,570</b>

(See Accompanying Notes and Auditor's Report)



EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

June 30, 2019

	<u>Early Childhood Academy Public Charter School</u>				<u>Support Corporation</u>		<u>Total</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>										
Principal/Executive Salaries	\$ 297,116	\$ 234,555	\$ 45,437	\$ 17,124	\$ -	\$ -	\$ 297,116	\$ 234,555	\$ 45,437	\$ 17,124
Teachers' Salaries	960,360	960,360	-	-	-	-	960,360	960,360	-	-
Teachers' Aides/Assistants' Salaries	493,254	493,254	-	-	-	-	493,254	493,254	-	-
Other Educational Professional Salaries	247,824	223,042	24,782	-	-	-	247,824	223,042	24,782	-
Substitute Teacher Salaries	7,945	7,945	-	-	-	-	7,945	7,945	-	-
Clerical Salaries	228,880	201,076	25,346	2,458	-	-	228,880	201,076	25,346	2,458
Custodial/Food Service Staff	120,200	99,471	20,729	-	-	-	120,200	99,471	20,729	-
Before and After Care Salaries	142,922	142,922	-	-	-	-	142,922	142,922	-	-
Business Operation Salaries	363,993	180,106	183,887	-	-	-	363,993	180,106	183,887	-
Employee Benefits	378,121	350,453	26,708	960	-	-	378,121	350,453	26,708	960
Payroll Taxes	229,331	212,550	16,199	582	-	-	229,331	212,550	16,199	582
Staff Development Costs	50,616	47,032	3,584	-	-	-	50,616	47,032	3,584	-
Total Personnel, Salaries and Benefits	<u>\$ 3,520,562</u>	<u>\$ 3,152,766</u>	<u>\$ 346,672</u>	<u>\$ 21,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,520,562</u>	<u>\$ 3,152,766</u>	<u>\$ 346,672</u>	<u>\$ 21,124</u>
<u>Direct Student Costs:</u>										
Food Service	\$ 278,001	\$ 278,001	\$ -	\$ -	\$ -	\$ -	\$ 278,001	\$ 278,001	\$ -	\$ -
Student Supplies and Materials	47,338	47,338	-	-	-	-	47,338	47,338	-	-
Contracted Instructional/Student Services	255,577	255,577	-	-	-	-	255,577	255,577	-	-
Transportation	15,807	15,807	-	-	-	-	15,807	15,807	-	-
Other Student Costs	15,279	15,279	-	-	-	-	15,279	15,279	-	-
Total Direct Student Costs	<u>\$ 612,002</u>	<u>\$ 612,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,002</u>	<u>\$ 612,002</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>										
Rent	\$ 615,071	\$ 570,063	\$ 43,446	\$ 1,562	\$ -	\$ -	\$ 615,071	\$ 570,063	\$ 43,446	\$ 1,562
Utilities	47,236	43,779	3,337	120	-	-	47,236	43,779	3,337	120
Cleaning and Maintenance	32,820	30,419	2,318	83	-	-	32,820	30,419	2,318	83
Depreciation	1,773	1,643	125	5	-	-	1,773	1,643	125	5
Contracted Building Services	84,592	78,402	5,975	215	-	-	84,592	78,402	5,975	215
Loan Amortization Interest	68,440	-	68,440	-	9,260	9,260	77,700	-	77,700	-
Interest Expense	72,196	-	72,196	-	458,443	458,443	530,639	-	530,639	-
Property Taxes	-	-	-	-	-	-	-	-	-	-
Total Occupancy Costs	<u>\$ 922,128</u>	<u>\$ 724,306</u>	<u>\$ 195,837</u>	<u>\$ 1,985</u>	<u>\$ 467,703</u>	<u>\$ 467,703</u>	<u>\$ 1,389,831</u>	<u>\$ 724,306</u>	<u>\$ 663,540</u>	<u>\$ 1,985</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

June 30, 2019

	<u>Early Childhood Academy Public Charter School</u>				<u>Support Corporation</u>		<u>Total</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>										
Office Supplies and Materials	\$ 27,714	\$ 25,686	\$ 1,958	\$ 70	\$ -	\$ -	\$ 27,714	\$ 25,686	\$ 1,958	\$ 70
Consulting	41,565	26,592	14,973	-	-	-	41,565	26,592	14,973	-
Equipment Rental and Maintenance	6,509	6,032	460	17	-	-	6,509	6,032	460	17
Telecommunications	24,428	22,641	1,725	62	-	-	24,428	22,641	1,725	62
Postage and Shipping	881	817	62	2	46	46	927	817	108	2
Printing and Copying	13,628	12,630	963	35	132	132	13,760	12,630	1,095	35
Marketing and Promotion	15,890	14,869	1,021	-	-	-	15,890	14,869	1,021	-
Total Office Expenses	\$ 130,615	\$ 109,267	\$ 21,162	\$ 186	\$ 178	\$ 178	\$ 130,793	\$ 109,267	\$ 21,340	\$ 186
<u>General Expenses:</u>										
Insurance	\$ 20,004	\$ 18,540	\$ 1,413	\$ 51	\$ -	\$ -	\$ 20,004	\$ 18,540	\$ 1,413	\$ 51
Licenses and Fees	1,900	1,761	134	5	-	-	1,900	1,761	134	5
Accounting and Legal Services	30,860	5,083	25,777	-	12,350	12,350	43,210	5,083	38,127	-
Payroll Service Fees	28,088	26,033	1,984	71	-	-	28,088	26,033	1,984	71
Administrative Fees	59,016	50,164	8,852	-	-	-	59,016	50,164	8,852	-
Depreciation	34,146	31,647	2,412	87	-	-	34,146	31,647	2,412	87
Dues and Subscriptions	22,353	20,717	1,579	57	-	-	22,353	20,717	1,579	57
Office Expense	9,556	8,857	675	24	-	-	9,556	8,857	675	24
Contributions	50,713	-	50,713	-	-	-	50,713	-	50,713	-
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-
Income Taxes	473	-	473	-	-	-	473	-	473	-
Total General Expenses	\$ 257,109	\$ 162,802	\$ 94,012	\$ 295	\$ 12,350	\$ 12,350	\$ 269,459	\$ 162,802	\$ 106,362	\$ 295
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 5,442,416</b>	<b>\$ 4,761,143</b>	<b>\$ 657,683</b>	<b>\$ 23,590</b>	<b>\$ 480,231</b>	<b>\$ 480,231</b>	<b>\$ 5,922,647</b>	<b>\$ 4,761,143</b>	<b>\$ 1,137,914</b>	<b>\$ 23,590</b>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 981,297	\$ 1,169,584
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	415,083	35,919
Loan Amortization - Interest	97,057	77,700
Loss on Disposal of Fixed Assets	8,060	1,168
Bad Debt Expense	21,492	-
Accounts Receivable - (Increase)/Decrease	(59,749)	(29,549)
Promises Receivable - (Increase)/Decrease	73,568	15,637
Escrow Receivable - (Increase)/Decrease	4,940	(4,940)
Prepaid Expenses - (Increase)/Decrease	(12,654)	(4,636)
Deposits - (Increase)/Decrease	43,082	14,435
Accounts Payable - Increase/(Decrease)	(1,821,342)	(533,367)
Accrued Salary and Vacation - Increase/(Decrease)	32,262	16,453
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	14,108	15,772
Accrued Interest Payable - Increase/(Decrease)	139,717	7,367
Refundable Advance - Increase/(Decrease)	<u>18,049</u>	<u>(126)</u>
Net Cash Flows from Operating Activities	\$ <u>(45,030)</u>	\$ <u>781,417</u>
<u>Cash Flows from Investing Activities:</u>		
Outflows on Note Receivable	\$ -	\$ (11,140,800)
Proceeds from Sale of Fixed Assets	2,029	-
Purchase of Fixed Assets	(213,508)	(89,547)
Purchase of Land	-	(1,592,489)
Payments for Construction in Progress and Building	<u>(1,180,209)</u>	<u>(10,134,762)</u>
Net Cash Flows from Investing Activities	\$ <u>(1,391,688)</u>	\$ <u>(22,957,598)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds on Loans	\$ -	\$ 11,675,000
Proceeds on Loans - New Markets	-	15,600,000
Payments on Loans	(46,033)	(35,423)
Payments for Loan Acquisition Fees	4,255	(647,032)
Payments on Financing Lease	<u>-</u>	<u>(2,931)</u>
Net Cash Flows from Financing Activities	\$ <u>(41,778)</u>	\$ <u>26,589,614</u>
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	\$ (1,478,496)	\$ 4,413,433
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>8,453,526</u>	<u>4,040,093</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 6,975,030</u>	<u>\$ 8,453,526</u>

Supplemental Disclosures:

- a) No income taxes were paid during the year ended June 30, 2020. Income taxes in the amount of \$403 were paid during the year ended June 30, 2019.
- b) Cash paid for interest during the years ended June 30, 2020 and 2019 was \$1,176,292 and \$523,272, respectively.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and Cash Equivalents	\$ 6,518,711	\$ 7,919,955
Restricted Cash - Debt Service	<u>456,319</u>	<u>533,571</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 6,975,030</u>	<u>\$ 8,453,526</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Early Childhood Academy Public Charter School**

Early Childhood Academy Public Charter School, Inc. (ECA), a District of Columbia not-for-profit corporation, was incorporated on November 12, 2004, exclusively for educational purposes. The public charter school operates as part of the District of Columbia Public School System and was chartered under the authority of the DC Public Charter School Board. ECA is a tuition-free public school, designed to ultimately serve 300 Washington, DC, children in grades prekindergarten through grade three. ECA focuses heavily on language and literacy, with instruction also provided in math, social studies, science, music, and physical education.

It is the mission of Early Childhood Academy Public Charter School to foster the academic and social/emotional growth and development of each student in a safe and holistic learning environment that will equip all students with the knowledge and tools to become high achievers, proficient readers, and critical thinkers who will thrive for a lifetime as productive and caring citizens.

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

**ECA Support Corporation**

On May 16, 2018, the ECA Support Corporation was organized as a District of Columbia not-for-profit organization to participate in the Internal Revenue Service's Federal New Market Tax Credit (NMTC) Program in order to develop and construct a new facility site and campus for its elementary school operations and programs, located at 885 Barnaby Street, SE, Washington, DC. The ECA Support Corporation serves as a leverage lender to indirectly fund the NMTC loans and operates for the benefit of, performs the functions of, and carries out the purposes of the Early Childhood Academy Public Charter School.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

**Contributions**

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions** (Continued)

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

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

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

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

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

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Federal and Charter School Funding**

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

**Extended Learning Day Program**

The Charter School offers fee-based extended day programming for its students. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee and has been reflected as student fees.

(c) Corporate Taxes:

**Early Childhood Academy Public Charter School**

The Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective June 13, 2007. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii).

Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. On December 20, 2019, the Taxpayer Certainty and Disaster Tax Relief Act of 2019 provided certain technical corrections and amendments, among them the repeal of the parking and transit tax. As of June 30, 2019, the Charter School recognized \$153 of income tax expense related to the filing of the 990-T tax return. In addition, \$250 of income tax expense related to transportation and parking benefits to the District of Columbia has been reflected in the financial statements.

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

**ECA Support Corporation**

The ECA Support Corporation was incorporated on May 16, 2018, to operate as a not-for-profit organization. The ECA Support Corporation was granted federal tax exemption on December 20, 2018, (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements. The ECA Support Corporation has been classified as a Type II supporting organization under Section 509(a)(3) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170.

(d) Government Grants:

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

(e) Net Assets:

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

**Net Assets Without Donor Restrictions**

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

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions**

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

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use. There were no net assets with donor restrictions available at year end.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
COVID - Emergency Use Funds	\$ 4,479	\$ -
School Building Construction	<u>160</u>	<u>6,580</u>
Total Net Assets Released from Restrictions	<u>\$ 4,639</u>	<u>\$ 6,580</u>

(f) Donated Services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Trustees is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. There were no donated services recognized during the years ended June 30, 2020 and 2019.



EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

**Educational Approach**

ECA has a strong curricular focus on language and literacy, given the tremendous impact of early language development on nearly all other aspects of development. Instruction is based on the Early Learning Standards for prekindergarten and on the English language arts and math Common Core State Standards for kindergarten through grade three. Early Childhood Academy Public Charter School has selected *Pearson Opening the World of Learning (OWL)* as its instructional tool for pre-kindergarten and *Houghton Mifflin Science* and *Social Studies*, as well as *McGraw Hill My Math* and *Reading Wonders* for kindergarten to grade three.

*Opening the World of Learning* is a comprehensive, center-based program that integrates all domains of early learning. The content of each unit is built around a carefully crafted daily routine within activity centers. Themes, skills, and concepts are developed through quality children's fiction and nonfiction trade books, and center play.

*McGraw-Hill My Math* and *Reading Wonders* provide students with research-based content aligned with the Common Core State Standards. Whole group and small group instruction allow teachers to reach every student and ensure success on formative and standardized tests. Together, these curriculum tools ensure that ECA students receive an appropriate and challenging educational program focusing on children's academic growth and development and attainment of foundational skills as well as higher order thinking skills.

*Houghton Mifflin Science* and *Social Studies* are comprehensive programs that include a variety of resources to support instruction, including workbooks, teachers' guides, audio-visual aids, and computer software.

**Assessment**

ECA believes that the purpose of assessment is to inform instruction and assess student progress. Through implementation of a variety of formal and informal assessments, teachers obtain useful information about each child's knowledge, skills, and progress by observing, documenting, analyzing, and reviewing work samples over time. Teachers at Early Childhood Academy Public Charter School meet in Professional Learning Communities weekly, to analyze data and use it to inform instructional planning.

Baseline and benchmark formative and summative assessments for prekindergarten include the Every Child Ready Assessment provided by the AppleTree Institute for Education Innovation. Prekindergarten classroom environments are also evaluated using the Classroom Assessment Scoring System (CLASS).

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Assessment** (Continued)

Formative and summative assessments for kindergarten through grade three are administered using the Northwest Evaluation Association Measures of Academic Progress (MAP). In the spring, third grade students also complete the Partnership for Assessment of Readiness for College and Careers (PARCC), which is the required statewide assessment.

Data from these assessments guide planning and instruction for all students to ensure student growth and achievement.

**Discipline**

ECA promulgates clear, school-wide expectations for student and adult behavior, as well as consistent, respectful, and developmentally appropriate consequences administered as necessary. By implementing a school-wide behavior support plan and providing on-going staff training in positive behavior facilitation, ECA creates and maintains a learning environment that is nurturing, child-centered, and culturally sensitive.

**Professional Development**

ECA believes that high-quality professional development and ongoing feedback and support from administrators and educational professionals provide teachers with the knowledge and skills needed to promote children's learning. Therefore, each year, the executive director, principal, and grade level directors draft a professional development plan for the school year based on the assessed needs and explicit feedback of teachers. The plan articulates goals, activities, resources, and evidence of success.

Experts in their fields are contracted to support high student achievement in ELA and math. Robyn Silbey, ECA's math coach, taught for 36 years in Montgomery County, Maryland, a large, urban/suburban school district with a widely diverse population. Ms. Silbey holds a Master of Science degree in Mathematics Education and a Bachelor of Science degree in Elementary Education. For over 30 years, Robyn has authored and co-authored books, computer software, workbooks, and articles.

Melodie Barron has worked as a literacy coach across the country for the last decade. She has a master's degree in teacher leadership and has worked as a teacher and school administrator for over 25 years. Ms. Barron currently works with a number of charter schools in the DC area, including ECA and DC Prep.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Professional Development** (Continued)

Dr. Lydia Carlis served as Principal Consultant for eyemaginED, where she worked with schools, districts, states, foundations and other ed-facing organizations to significantly impact outcomes for children most at risk. Prior to starting eyemaginED, Dr. Carlis served as the Chief of Research and Innovation for AppleTree Institute for Education Innovation. Dr. Carlis supports centers, schools, districts and education nonprofits in maximizing child outcomes by leveraging investments in leaders and staff. Dr. Carlis' clients include the DC Office of the State Superintendent for Education, AppleTree Institute for Education Innovation, Bainum Family Foundation, Bellwether Education Partners, Boston University, Excel PCS, KIPP DC, Leading Educators, Martha's Table, National Council on Teacher Quality (NCTQ), Symphonic Strategies, The New Teacher Project (TNTP) and Versed Education Group.

**Parent Involvement**

ECA is dedicated to encouraging strong and consistent parent involvement in all aspects of the students' educational, social, and emotional development. Orientation meetings are held each summer, during which parents receive *Parent Handbooks* and sign a "School-Parent Compact" outlining their rights and responsibilities in the teaching/learning process. Parent communication, including written progress reports and individual parent meetings are held at least quarterly to discuss each student's growth and development and plan for continued learning. Parents of students with special needs meet with the school Multi-Disciplinary Team regularly to update IEP goals, determine the impact of services provided, and assess the appropriateness of their student's individualized plan. A number of platforms are utilized, including the school's website and social media sites, to ensure that parents are informed of pertinent school information. Parents participate in the school's Parent Engagement Committee and Schoolwide Planning Committee, meeting quarterly to provide guidance and recommendations to school leadership on the use of school funding and implementation of school programs.

(h) Functional Expense Allocation Policies and Procedures:

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

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

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

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

(i) Use of Estimates:

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

(j) Recognition of Salary Expense:

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(k) Fair Value of Certain Financial Instruments:

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

(l) Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the ECA Support Corporation. Consolidation is presented when it is determined that there is a controlling financial interest in one or more subsidiaries resulting in the presentation of one economic entity. All significant intercompany transactions, balances receivable, liabilities and balances payable have been eliminated in consolidation.

(m) Reclassifications:

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

(n) Change in Accounting Principles:

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

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

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

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

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

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 6,518,711	\$ 7,919,955
Cash Held in Trust for Debt Service	456,319	533,571
Accounts Receivable	143,907	105,650
Promises Receivable	82,563	156,131
Escrow Receivable	-	4,940
Total Financial Assets	<u>\$ 7,201,500</u>	<u>\$ 8,720,247</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Contractual Restrictions:		
Cash Held for Debt Service	\$ 456,319	\$ 533,571
Cash Held in Escrow	-	4,940
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 6,745,181</u>	<u>\$ 8,181,736</u>

As part of the Charter School’s liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Charter School invests cash in excess of daily requirements in short-term investments including interest bearing checking and money market accounts.

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3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

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

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

**Cash and Cash Equivalents**

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Non-Interest Bearing Checking Accounts	\$ 785,244	\$ 1,007,609
Interest Bearing Checking Accounts	3,139,193	4,322,015
Money Market Accounts	2,593,774	2,589,831
Petty Cash	<u>500</u>	<u>500</u>
Total	<u>\$ 6,518,711</u>	<u>\$ 7,919,955</u>

For purposes of financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less. Total cash and cash equivalents does not include cash held in trust or restricted for debt service.

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

As of June 30, 2020 and 2019, \$5,640,284 and \$7,292,751, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

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4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH: (Continued)

**Cash Restricted for Debt Service**

Under the terms of the “Qualified Low-Income Community Investment” (QLICI) loan agreements executed in connection with the loans payable to City First Capital 53, LLC and Community Urban Revitalization Enterprises X, LLC, the Charter School is required to maintain cash in two separate reserve accounts. These reserve accounts are used to make the quarterly asset management fees to the lenders. The balance of restricted cash at June 30, 2020 and 2019 was \$456,319 and \$533,571, respectively.

5. ACCOUNTS AND PROMISES RECEIVABLE:

**Accounts Receivable**

Accounts receivable are current and are considered to be fully collectible by management. Balances as of June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Per Pupil Funding	\$ 68,268	\$ 36,788
Medicaid - School Based Services	38,016	24,723
DC Real Property Taxes	32,701	-
Reimbursable Expenses	1,721	11,505
E-rate (USAC) Program	3,201	32,634
Total Accounts Receivable	\$ 143,907	\$ 105,650

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

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended June 30, 2020 and 2019.

Trade receivables related to program service fees (activity fees, before and after care, etc.) are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.



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5. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Promises Receivable**

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Elementary and Secondary Education	\$ 26,322	\$ 24,727
CARES - School Emergency Relief	26,230	-
DC School Choice Incentive Program - SOAR	18,937	103,043
Individuals with Disabilities Education Act	11,074	258
National School Food Programs	-	22,072
Technology Fund	-	5,123
Healthy Schools Act	-	808
General Support - Unrestricted	-	100
Total Promises Receivable	\$ 82,563	\$ 156,131

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

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

	<u>June 30, 2020</u>
CARES - School Emergency Relief	\$ 75,985
Total Conditional Promises	\$ 75,985

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. In addition, bulk purchases of assets with unit costs of less than \$500, but a total monetary value for a one-time purchase exceeding \$2,500, will be capitalized as a group and depreciated over the estimated useful lives of the assets.

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6. FIXED ASSETS: (Continued)

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gains or losses are reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred. Depreciation expense for the years ended June 30, 2020 and 2019, was \$415,083 and \$35,919, respectively. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2020

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7-10 Years	\$ 263,550	\$ 82,611	\$ 180,939
Computer Equipment	3-5 Years	320,233	253,549	66,684
Building	40 Years	15,130,537	346,742	14,783,795
Land	-	<u>1,642,489</u>	<u>-</u>	<u>1,642,489</u>
Total		<u>\$ 17,356,809</u>	<u>\$ 682,902</u>	<u>\$ 16,673,907</u>

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	7-10 Years	\$ 213,818	\$ 148,347	\$ 65,471
Computer Equipment	3-5 Years	278,623	231,697	46,926
Leasehold Improvements	5 Years	75,235	75,087	148
Land	-	1,642,489	-	1,642,489
Construction in Progress	-	<u>13,950,328</u>	<u>-</u>	<u>13,950,328</u>
Total		<u>\$ 16,160,493</u>	<u>\$ 455,131</u>	<u>\$ 15,705,362</u>

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

**Building - New Campus and Education Facility 885 Barnaby Street**

Over a period of fourteen years, the Early Childhood Academy had operated as one school in two separate community centers. The small classrooms were divided between two buildings, making it challenging to implement a robust educational program with ample recreational options. During the year ended June 30, 2018, the Charter School began construction of a new modern facility in the same Ward 8 southeast - Washington Highlands neighborhood. Completion of construction occurred during the summer of 2019 in time for commencement of classes in the fall of 2019.

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6. FIXED ASSETS: (Continued)

**Building - New Campus and Education Facility 885 Barnaby Street** (Continued)

This new facility has brought the school under one roof through the combined rehabilitation of a former church and the construction of a new 38,000 square-foot addition. The students of Early Childhood Academy now have three levels of classrooms, play spaces, a music room, a cafeteria and gym, an auditorium and offices for the teachers. Total construction costs incurred through June 30, 2020 and 2019, not including the cost of the land, were \$15,130,537 and \$13,950,328, respectively. Interest expense on long-term borrowings utilized to finance the construction of the building has been capitalized as a component of construction in progress. The total interest capitalized related to financing the construction of the building was \$595,038.

7. NOTE RECEIVABLE:

On September 11, 2018, the ECA Support Corporation (Lender) entered into a loan agreement with the Chase NMTC Early Childhood Academy Investment Fund, LLC (the Fund and Borrower) for a total amount of \$11,140,800 represented by two separate promissory notes identified as Note A in the amount of \$9,675,000 and Note B in the amount of \$1,465,800. The proceeds on the loan received by the Fund were then used to make an equity investment in City First Capital 53, LLC (CF) and Community Urban Revitalization Enterprises X, LLC (DCHE), both of which are Community Development Entities (CDE's). These CDE's were formed for the purpose of providing investment capital for low-income communities, specifically to build out and renovate a new school facility for the Early Childhood Academy Public Charter School. The ECA Support Corporation received an equivalent loan in the amount of \$9,675,000 from City First Bank D.C., N.A. (the Source Loan) to fund Note A provided to the Fund. The interest rate applicable to each of these loan agreements is fixed at 5.039%. The Fund has pledged and granted the ECA Support Corporation a security interest in certain interests, rights and privileges of its assets to collateralize this loan. In addition, the Support Corporation assigned its interest in Note A and Note B in the total amount of \$11,140,800 to City First Bank of D.C., N.A.

Relating to Note A, interest-only payments are to continue quarterly commencing on December 10, 2018, through maturity on September 10, 2025, at which time the outstanding principal, together with any accrued and unpaid interest, is due and payable. Relating to Note B, interest-only payments are required quarterly commencing on December 10, 2018, through and including September 10, 2025, and then commencing on October 1, 2025, and continuing on each payment date thereafter until maturity on March 31, 2031. The Support Corporation will then receive principal and interest payments in equal installments of \$76,702. As of June 30, 2020 and 2019, the balance on notes receivable was \$11,140,800. Interest received on the loans for the years ended June 30, 2020 and 2019, was \$561,384 and \$452,227 respectively.

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8. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM:

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

Management of the Early Childhood Academy anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and were recognized as contribution revenue as the qualified expenses were incurred. The charter school applied for and received a total amount of loan proceeds in the amount of \$472,475 on May 4, 2020. As of June 30, 2020, \$454,426 has been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met. In addition, an amount of \$18,049 has been recognized as a refundable advance and will be expended subsequent to year end.

9. NOTES PAYABLE:

**Promissory Note - Office of the State Superintendent of Education (OSSE)**

On September 11, 2018, the Early Childhood Academy Public Charter School entered into a promissory note with the Office of the State Superintendent of Education for the District of Columbia (OSSE) in the amount of \$2,000,000 bearing interest at a fixed rate of 4.25%. The loan proceeds were utilized for the improvement and reconfiguration of the property located at 885 Barnaby Street, SE Washington, DC, 20032. This loan calls for quarterly payments of principal and interest in the amount of \$33,417 over a seven-year period beginning December 1, 2018. A payment of any remaining outstanding principal and unpaid interest is required at the maturity date on September 11, 2025. The DC Office of Public Charter School Financing and Support maintains a second priority subordinate security interest in the Charter School's real estate, furniture, equipment, personal property, and the per-pupil funding allocation and other revenues. This loan is subordinate to the liens securing CF Loan A-1 and CURE Loan A-1 and senior to the liens securing CF Loan A-2, CF Loan B, CURE Loan A-2 and CURE Loan B.

This loan required a one percent (1%) loan commitment fee of \$20,000 which is being amortized over an 84-month period. Interest expense related to this note for the years ended June 30, 2020 and 2019 was \$87,464 and \$72,196, respectively. The balance of this loan at June 30, 2020 and 2019 was \$1,918,544 and \$1,964,577, respectively.

There are several loan covenants related to this loan. These covenants include the debt service coverage ratio of 1.20 to 1.00 and the maintaining of a certain balance of unrestricted cash.

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9. NOTES PAYABLE: (Continued)

**Promissory Note - Office of the State Superintendent of Education (OSSE)** (Continued)

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

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 133,670	\$ 48,140	\$ 85,530
2022	133,669	50,343	83,326
2023	133,670	52,647	81,023
2024	133,670	55,057	78,613
2025	133,669	57,576	76,093
2026	<u>1,675,447</u>	<u>1,654,781</u>	<u>20,666</u>
Total	<u>\$ 2,343,795</u>	<u>\$ 1,918,544</u>	<u>\$ 425,251</u>

**Promissory Note - City First Bank of D.C., N.A.**

On September 11, 2018, the ECA Support Corporation obtained a promissory note from City First Bank of D.C., N.A. in the total amount of \$9,675,000 (the Source Loan). This promissory note was an integral part of the building construction project and provided combined financing to leverage the QALIC loans provided to the Early Childhood Academy. Pursuant to the loan agreement, interest-only payments at a fixed rate of 5.72% began on December 15, 2018, and are due every quarter thereafter with payments being made in the arrears. On the maturity date of September 11, 2025, the outstanding principal together with any accrued and unpaid interest is due and payable. Prepayment on this loan may occur prior to twelve-month period ending on the maturity date, however it is subject to a 2.50% prepayment premium on the outstanding balance. As a condition of this loan, the Support Corporation must maintain a debt service coverage ratio of no less than 1.20 to 1.00. This loan is secured by cash deposits maintained at City First Bank D.C., N.A as well as a security interest in other personal property of the ECA Support Corporation. Interest expense for the years ended June 30, 2020 and 2019, was \$587,230 and \$458,443, respectively. The balance of this loan at June 30, 2020 and 2019, was \$9,675,000.

**Leverage Loans - New Markets Tax Credit**

The New Markets Tax Credit (NMTC) program was established as part of the Community Renewal Tax Relief Act of 2000 and was enacted to expand economic opportunity for underserved people and communities by supporting community development lenders and investors. The NMTC Program, which is incorporated in Section 45D of the Internal Revenue Code encourages investment in real estate projects by allowing investors to receive tax credits against their federal income tax return in exchange for making Qualified Equity Investments (QEIs) in Community Development Entities (CDEs). The CDE's purpose is to use funds to make Qualified Low-Income Community Investments (QLICIs) in "Qualified Active Low-Income Businesses (QALICB's).

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9. NOTES PAYABLE: (Continued)

**Leverage Loans - New Markets Tax Credit** (Continued)

On September 11, 2018, City First Capital 53, LLC (CF) and Community Urban Revitalization Enterprises X, LLC, (DCHE) (both CDEs) utilized qualified funding to jointly loan \$15,600,000 to Early Childhood Academy to finance construction of a new school. The financing arrangement consists of six promissory note agreements with two separate Community Development Entities (the "Lenders"). City First Capital 53, LLC provided loans in the amount of \$4,976,449 (Type A-1), \$753,951 (Type A-2) and \$2,109,600 (Type B) and the Community Urban Revitalization Enterprises provided loans in the amount of \$4,698,551 (Type A-1), \$711,849 (Type A-2) and \$2,349,600 (Type B). The proceeds from the loans of \$15,600,000 were used to build out and renovate the Charter School. The interest rate applicable to each of these loan agreements is fixed at 4.111%.

The loans are secured by a deed of trust and a security interest in the Charter School's property at 885 Barnaby Street, SE, Washington, DC, 20032. Under the terms of the loan agreements, the Charter School is required to maintain cash in two separate reserve accounts. The Charter School pays each lender a quarterly asset management fee from these reserve accounts.

Relating to the senior Type A-1 loans, interest only payments are to continue quarterly commencing on December 1, 2018, through maturity on September 11, 2025, at which time, the outstanding principal together with any accrued and unpaid interest is due and payable. Relating to the subordinate Type A-2 and Type B loans, interest only payments are required quarterly commencing on December 1, 2018, through and including June 1, 2025, and then commencing on December 1, 2025, and continuing on each payment date thereafter until maturity on December 31, 2053, the Charter School shall pay principal and interest. Payments shall then be in equal installments of \$11,311 with respect to CF Loan A-2; \$31,648 with respect to CF Loan B; \$10,679 with respect to DCHE Loan A-2; and \$35,249 with respect to DCHE Loan B.

The loans may not be prepaid any time in whole or in part any time prior to the expiration of the New Market Tax Credit recapture period which has been established as September 11, 2025. Upon the lapse of the recapture period, the loans may be prepaid at any time without penalty.

As of June 30, 2020, the unpaid balance on the notes was \$15,600,000. Interest paid on the loans for the years ended June 30, 2020 and 2019, was \$652,316 and \$516,616, respectively. There are several financial loan covenants related to these loans. These covenants include the debt service coverage ratio, minimum unrestricted net asset balance and positive cash flows from operating activities that are evaluated June 30<sup>th</sup> of each year. The Charter School met these covenants during the current year.

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9. NOTES PAYABLE: (Continued)

**Leverage Loans - New Markets Tax Credit** (Continued)

The balance of loans payable and summary information as of June 30, 2020, was as follows:

<u>Lender (CDE)</u>	<u>Loan Balance</u>	<u>Interest Capitalized</u>	<u>Loan Type</u>	<u>Maturity</u>
City First Capital 53, LLC	\$ 4,976,449	\$ 189,819	A-1	9/11/2025
Community Urban Revitalization Enterprises	4,698,551	179,219	A-1	9/11/2025
City First Capital 53, LLC	753,951	28,758	A-2	12/31/2053
Community Urban Revitalization Enterprises	711,849	27,153	A-2	12/31/2053
City First Capital 53, LLC	2,109,600	80,468	B	12/31/2053
Community Urban Revitalization Enterprises	<u>2,349,600</u>	<u>89,621</u>	B	12/31/2053
Total	<u>\$ 15,600,000</u>	<u>\$ 595,038</u>		

**Debt Issuance Costs**

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the statement of functional expenses. Debt issuance cost amortization was \$97,057 and \$77,700 respectively for the years ended June 30, 2020 and 2019. Long-term debt at year end consisted of the following:

<u>June 30, 2020</u>	<u>Early Childhood Academy</u>	<u>Support Corporation</u>
Notes Payable	\$ 17,518,544	\$ 9,675,000
Less: Unamortized Debt Issuance Costs	<u>(450,264)</u>	<u>(57,756)</u>
Total	<u>\$ 17,068,280</u>	<u>\$ 9,617,244</u>
<u>June 30, 2019</u>	<u>Early Childhood Academy</u>	<u>Support Corporation</u>
Notes Payable	\$ 17,564,577	\$ 9,675,000
Less: Unamortized Debt Issuance Costs	<u>(536,714)</u>	<u>(72,618)</u>
Total	<u>\$ 17,027,863</u>	<u>\$ 9,602,382</u>

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10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School’s fiscal management and academic acceptability. The contract dated September 2, 2005, provides for a 15-year charter effective the date of first operation. The Charter School was approved for an additional 15-year charter effective July 1, 2020. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Early Childhood Academy Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the Early Childhood Academy Public Charter School’s charter every five years, with the most recent review having occurred in 2020. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 19/20 and 18/19 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2020 and 2019, the Charter School incurred \$60,519 and \$59,016, respectively, in administrative fees.

The charter contract provides that Early Childhood Academy Public Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2020, was not permitted to be greater than 300 students. Audit enrollment for the 2019/2020 year was 285 students and enrollment for the 2018/2019 year was 254 students.

11. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2020, the per-student rate ranged between \$10,980 and \$14,713 for the educational allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per-student rate ranged between \$10,658 and \$14,282 for the educational allotment and \$3,263 for the facility allotment. Additional allotments were made for special educational services and summer schooling. Per-pupil funding for the years ended June 30, 2020 and 2019 were as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Pre-Kindergarten - 3 <sup>rd</sup> Grade	\$ 3,641,627	\$ 3,158,178
Special Education	920,257	712,474
At-Risk Students	501,513	451,214
Facilities Allowance	950,475	828,802
One Time Additional Payment	<u>55,084</u>	<u>-</u>
Total	<u>\$ 6,068,956</u>	<u>\$ 5,150,668</u>



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12. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
National School Food Programs	\$ 183,378	\$ 237,954
Elementary and Secondary Education - Schoolwide	174,536	161,556
DC School Incentive Program - SOAR	82,075	787,651
Individuals with Disabilities Education Act	41,261	46,206
CARES - School Emergency Relief	26,230	-
Donated Commodities	<u>6,742</u>	<u>15,045</u>
Total	<u>\$ 514,222</u>	<u>\$ 1,248,412</u>

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

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

13. COMMITMENTS:

**Building Lease - 4025 9<sup>th</sup> Street, SE**

The Early Childhood Academy Public Charter School entered into a lease agreement with the District of Columbia Baptist Convention effective for a one-year period commencing on July 1, 2014, and ending on June 30, 2015, for the rental of a building located at 4025 9<sup>th</sup> Street, SE, Washington, DC (Johanning Campus). This lease was renewed through the period ending June 30, 2016. On July 1, 2016, the Charter School signed a two-year extension of this lease for the period of July 1, 2016, through June 30, 2018, which included an option to extend the lease term for an additional one-year period through June 30, 2019. The option to extend the lease term for an additional year was exercised. This lease called for monthly lease payments of \$34,317. Early Childhood Academy terminated the rental lease agreement on August 15, 2019. In addition, a rental deposit in the amount of \$19,829 was on hand as of June 30, 2019. Rental expense for the years ended June 30, 2020 and 2019 was \$49,814 and \$409,780, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. COMMITMENTS: (Continued)

**Building Lease - 4301 9<sup>th</sup> Street, SE**

The Early Childhood Academy Public Charter School entered into a lease agreement with Crawford Edgewood Mangers, Inc., on June 1, 2008, effective for a one-year period commencing on July 1, 2008, and ending on June 30, 2009, for the rental of a building located at 4301 9<sup>th</sup> Street, SE, Washington, DC (Walter Washington Campus). This lease automatically renewed on a yearly basis through the year ended June 30, 2016. On June 27, 2016, the Charter School signed a two-year extension of this lease for the period of July 1, 2016, through June 30, 2018, which included an option to extend the lease term for an additional one-year period through June 30, 2019. The option to extend was exercised through June 30, 2019, at which point the lease was terminated. This lease called for monthly lease payments of \$16,777 and a security deposit of \$11,000. Rental expense for the year ended June 30, 2019, was \$201,324.

**Photocopier Lease**

The Charter School entered into an operating lease with De Lage Landen Financial Services, on November 16, 2018, for the rental of a Toshiba 7506AC color photocopier. This lease calls for thirty-six (36) monthly payments of \$499, commencing on December 1, 2018. Rental expense for the years ending June 30, 2020 and 2019 was \$5,988 and \$3,493, respectively. Future minimum payments due under this lease are as follows:

Year Ending June 30,

2021	\$ 5,988
2022	<u>2,495</u>
Total	<u>\$ 8,483</u>

14. RELATED PARTY TRANSACTIONS:

**Business Transactions**

The Early Childhood Academy entered into a contract with a company owned and operated by a member of the board for the purpose of providing Human Resource services. Total fees paid during the years ended June 30, 2020 and 2019 were \$7,760 and \$5,000, respectively.

**Guarantee of Indebtedness**

The Early Childhood Academy Public Charter School utilizes a credit card issued by Capital One F.S.B. for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a credit limit of \$30,000, however the debt is guaranteed by the Executive Director of the Charter School. In addition, the Charter School also utilizes a credit card issued by Costco. This card has an approved limit of \$31,000.

EARLY CHILDHOOD ACADEMY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS: (Continued)

**Board of Trustees**

Two of the board members appointed to serve on the Board of Trustees are parents of students attending the Charter School. Parent trustees are elected by a majority vote of the board members from a list of qualified individuals submitted to the board.

15. CONCENTRATIONS:

**Revenues**

The Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2020 and 2019, eighty-four percent (84%) and seventy-three percent (73%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

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

16. CONTINGENCIES:

**Compliance and Accountability**

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

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

EARLY CHILDHOOD ACADEMY  
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16. CONTINGENCIES: (Continued)

**Compliance and Accountability** (Continued)

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

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

**Litigation**

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

**Pandemic**

The Charter School has been adversely impacted by the effects of the worldwide coronavirus pandemic. Charter School leadership continues to work closely with the DC Department of Health, the Office of the State Superintendent for Education, the Public Charter School Board, the Office of the DC Deputy Mayor for Education, and others, to manage a continually evolving plan that balances instructional programming, safety, and budget considerations. Management, with support of staff and parents, is cautiously optimistic that its approach will provide stability and sustain the Charter School through school year 2020-2021, though the full impact to the Charter School's financial position cannot be known at the present time.

17. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 17, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

18. FUNDRAISING:

During the years ended June 30, 2020 and 2019, expenses incurred for the purpose of fundraising were \$34,570 and \$23,590, respectively.

EARLY CHILDHOOD ACADEMY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. RETIREMENT PLAN:

**403(b) Retirement Plan**

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Principal Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. On the plan effective date, which was September 1, 2007, all current employees were eligible to participate in the retirement plan. All future employees will be eligible to participate upon hiring. Plan provisions call for a dollar for dollar match up to six percent (6%). Plan provisions and contribution requirements are established and may be amended by the board members of the Charter School. There is no unfunded past service liability. The amount of employer contributions for the years ended June 30, 2020 and 2019 were \$81,304 and \$72,185, respectively.

**Teachers Retirement Plan**

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the “Teacher’s Retirement Plan”. The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service.

An employee may elect to remain in the Teacher’s Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the school must make the match contributions that the District Government would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan. The amount of employer contributions for the years ended June 30, 2020 and 2019 was \$18,454 and \$17,537, respectively.

20. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Social Security/Medicare	\$ 221,709	\$ 209,545
Health and Dental Insurance	237,997	220,369
Retirement	99,758	89,722
Life	4,832	4,466
Disability	25,199	22,322
Unemployment	24,515	16,760
Paid Leave Tax	13,509	3,026
Workers Compensation	18,628	16,172
De Minimis	6,934	19,696
Benefit Fees	<u>6,329</u>	<u>5,374</u>
Total	<u>\$ 659,410</u>	<u>\$ 607,452</u>

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
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20. EMPLOYEE BENEFITS: (Continued)

**Flexible Benefits Plan**

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

**Transportation Plan**

The Early Childhood Academy Public Charter School adopted a Section 132(f) Commuter Expense Reimbursement Plan. Under this plan, employees receive reimbursement through employee withholding for commuting to and from work on a tax favored (pre-tax) basis.

EARLY CHILDHOOD ACADEMY  
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COMPARATIVE CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	2020				2019			
	Early Childhood Academy	Support Corporation	Eliminations	Total	Early Childhood Academy	Support Corporation	Eliminations	Total
<u>ASSETS</u>								
<u>Current Assets:</u>								
Cash and Cash Equivalents	\$ 6,486,615	\$ 32,096	\$ -	\$ 6,518,711	\$ 7,877,672	\$ 42,283	\$ -	\$ 7,919,955
Accounts Receivable	143,907	-	-	143,907	105,650	-	-	105,650
Due from Related Organization	-	73,634	(73,634)	-	75,411	-	(75,411)	-
Promises Receivable	82,563	-	-	82,563	156,131	-	-	156,131
Escrow Receivable	-	-	-	-	-	4,940	-	4,940
Prepaid Expenses	31,539	-	-	31,539	18,885	-	-	18,885
Total Current Assets	<u>\$ 6,744,624</u>	<u>\$ 105,730</u>	<u>\$ (73,634)</u>	<u>\$ 6,776,720</u>	<u>\$ 8,233,749</u>	<u>\$ 47,223</u>	<u>\$ (75,411)</u>	<u>\$ 8,205,561</u>
<u>Fixed Assets:</u>								
Fixed Assets - Net of Accumulated Depreciation	\$ 15,031,418	\$ -	\$ -	\$ 15,031,418	\$ 112,545	\$ -	\$ -	\$ 112,545
Land	1,642,489	-	-	1,642,489	1,642,489	-	-	1,642,489
Construction in Progress	-	-	-	-	13,950,328	-	-	13,950,328
Total Fixed Assets	<u>\$ 16,673,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,673,907</u>	<u>\$ 15,705,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,705,362</u>
<u>Long-Term Assets:</u>								
Cash Restricted for Debt Service	\$ 456,319	\$ -	\$ -	\$ 456,319	\$ 533,571	\$ -	\$ -	\$ 533,571
Notes Receivable	-	11,140,800	-	11,140,800	-	11,140,800	-	11,140,800
Total Long-Term Assets	<u>\$ 456,319</u>	<u>\$ 11,140,800</u>	<u>\$ -</u>	<u>\$ 11,597,119</u>	<u>\$ 533,571</u>	<u>\$ 11,140,800</u>	<u>\$ -</u>	<u>\$ 11,674,371</u>
<u>Other Assets:</u>								
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 43,082	\$ -	\$ -	\$ 43,082
Total Other Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,082</u>
TOTAL ASSETS	<u>\$ 23,874,850</u>	<u>\$ 11,246,530</u>	<u>\$ (73,634)</u>	<u>\$ 35,047,746</u>	<u>\$ 24,515,764</u>	<u>\$ 11,188,023</u>	<u>\$ (75,411)</u>	<u>\$ 35,628,376</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>2020</u>				<u>2019</u>			
	<u>Early Childhood Academy</u>	<u>Support Corporation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Early Childhood Academy</u>	<u>Support Corporation</u>	<u>Eliminations</u>	<u>Total</u>
<u>LIABILITIES AND NET ASSETS</u>								
<u>Current Liabilities:</u>								
Accounts Payable	\$ 232,735	\$ -	\$ -	\$ 232,735	\$ 2,054,077	\$ -	\$ -	\$ 2,054,077
Accrued Salary and Vacation	200,451	-	-	200,451	168,189	-	-	168,189
Payroll Withholdings and Related Liabilities	49,479	-	-	49,479	35,371	-	-	35,371
Accrued Interest Payable	7,194	139,890	-	147,084	7,367	-	-	7,367
Due to Related Organization	73,634	-	(73,634)	-	-	75,411	(75,411)	-
Refundable Advance	18,049	-	-	18,049	-	-	-	-
Current Portion: Long-Term Debt	<u>48,140</u>	<u>-</u>	<u>-</u>	<u>48,140</u>	<u>46,033</u>	<u>-</u>	<u>-</u>	<u>46,033</u>
Total Current Liabilities	<u>\$ 629,682</u>	<u>\$ 139,890</u>	<u>\$ (73,634)</u>	<u>\$ 695,938</u>	<u>\$ 2,311,037</u>	<u>\$ 75,411</u>	<u>\$ (75,411)</u>	<u>\$ 2,311,037</u>
<u>Long-Term Liabilities:</u>								
Loans Payable - Net of Debt Issuance Costs	\$ 1,903,663	\$ 9,617,244	\$ -	\$ 11,520,907	\$ 1,946,839	\$ 9,602,382	\$ -	\$ 11,549,221
Loans Payable - (NMTC) Net of Debt Issuance Costs	15,164,617	-	-	15,164,617	15,081,024	-	-	15,081,024
Less: Current Portion	<u>(48,140)</u>	<u>-</u>	<u>-</u>	<u>(48,140)</u>	<u>(46,033)</u>	<u>-</u>	<u>-</u>	<u>(46,033)</u>
Total Long-Term Liabilities	<u>\$ 17,020,140</u>	<u>\$ 9,617,244</u>	<u>\$ -</u>	<u>\$ 26,637,384</u>	<u>\$ 16,981,830</u>	<u>\$ 9,602,382</u>	<u>\$ -</u>	<u>\$ 26,584,212</u>
Total Liabilities	<u>\$ 17,649,822</u>	<u>\$ 9,757,134</u>	<u>\$ (73,634)</u>	<u>\$ 27,333,322</u>	<u>\$ 19,292,867</u>	<u>\$ 9,677,793</u>	<u>\$ (75,411)</u>	<u>\$ 28,895,249</u>
<u>Net Assets:</u>								
Without Donor Restrictions	\$ 6,225,028	\$ 1,489,396	\$ -	\$ 7,714,424	\$ 5,222,897	\$ 1,510,230	\$ -	\$ 6,733,127
With Donor Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 6,225,028</u>	<u>\$ 1,489,396</u>	<u>\$ -</u>	<u>\$ 7,714,424</u>	<u>\$ 5,222,897</u>	<u>\$ 1,510,230</u>	<u>\$ -</u>	<u>\$ 6,733,127</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,874,850</u>	<u>\$ 11,246,530</u>	<u>\$ (73,634)</u>	<u>\$ 35,047,746</u>	<u>\$ 24,515,764</u>	<u>\$ 11,188,023</u>	<u>\$ (75,411)</u>	<u>\$ 35,628,376</u>

(See Accompanying Notes and Auditor's Report)



EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020									
	<u>Early Childhood Academy</u>			<u>Support Corporation</u>			<u>Total</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Eliminations</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Other Support:</u>										
Per-Pupil Funding Allocation	\$ 5,118,481	\$ -	\$ 5,118,481	\$ -	\$ -	\$ -	\$ -	\$ 5,118,481	\$ -	\$ 5,118,481
Per-Pupil Funding - Facilities Allowance	950,475	-	950,475	-	-	-	-	950,475	-	950,475
Contributions - Paycheck Protection Program	454,426	-	454,426	-	-	-	-	454,426	-	454,426
Contributions - Federal Awards	507,480	-	507,480	-	-	-	-	507,480	-	507,480
Donated Federal Commodities	6,742	-	6,742	-	-	-	-	6,742	-	6,742
Contributions - State Awards	24,243	-	24,243	-	-	-	-	24,243	-	24,243
Private Grants and Contributions	15,665	4,639	20,304	-	-	-	-	15,665	4,639	20,304
Service Fees	50,574	-	50,574	-	-	-	-	50,574	-	50,574
Student Fees	66,341	-	66,341	-	-	-	-	66,341	-	66,341
Interest	16,606	-	16,606	561,423	-	561,423	-	578,029	-	578,029
Special Events (Net)	6,414	-	6,414	-	-	-	-	6,414	-	6,414
Loss on Disposal of Fixed Assets	(8,060)	-	(8,060)	-	-	-	-	(8,060)	-	(8,060)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	4,639	(4,639)	-	-	-	-	-	4,639	(4,639)	-
<b>Total Revenues and Other Support</b>	<b>\$ 7,214,026</b>	<b>\$ -</b>	<b>\$ 7,214,026</b>	<b>\$ 561,423</b>	<b>\$ -</b>	<b>\$ 561,423</b>	<b>\$ -</b>	<b>\$ 7,775,449</b>	<b>\$ -</b>	<b>\$ 7,775,449</b>
<u>Expenses and Losses:</u>										
Educational Services	\$ 5,543,430	\$ -	\$ 5,543,430	\$ -	\$ -	\$ -	\$ -	\$ 5,543,430	\$ -	\$ 5,543,430
Fundraising	34,570	-	34,570	-	-	-	-	34,570	-	34,570
General and Administrative	633,895	-	633,895	582,257	-	582,257	-	1,216,152	-	1,216,152
Payments to Affiliated Organization	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses and Losses</b>	<b>\$ 6,211,895</b>	<b>\$ -</b>	<b>\$ 6,211,895</b>	<b>\$ 582,257</b>	<b>\$ -</b>	<b>\$ 582,257</b>	<b>\$ -</b>	<b>\$ 6,794,152</b>	<b>\$ -</b>	<b>\$ 6,794,152</b>
Changes in Net Assets	\$ 1,002,131	\$ -	\$ 1,002,131	\$ (20,834)	\$ -	\$ (20,834)	\$ -	\$ 981,297	\$ -	\$ 981,297
Net Assets, Beginning of Year	5,222,897	-	5,222,897	1,510,230	-	1,510,230	-	6,733,127	-	6,733,127
Net Assets, End of Year	<u>\$ 6,225,028</u>	<u>\$ -</u>	<u>\$ 6,225,028</u>	<u>\$ 1,489,396</u>	<u>\$ -</u>	<u>\$ 1,489,396</u>	<u>\$ -</u>	<u>\$ 7,714,424</u>	<u>\$ -</u>	<u>\$ 7,714,424</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATING STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2019									
	<u>Early Childhood Academy</u>			<u>Support Corporation</u>			<u>Total</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Eliminations</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Other Support:</u>										
Per-Pupil Funding Allocation	\$ 4,321,866	\$ -	\$ 4,321,866	\$ -	\$ -	\$ -	\$ -	\$ 4,321,866	\$ -	\$ 4,321,866
Per-Pupil Funding - Facilities Allowance	828,802	-	828,802	-	-	-	-	828,802	-	828,802
Contributions - Paycheck Protection Program	-	-	-	-	-	-	-	-	-	-
Contributions - Federal Awards	1,233,367	-	1,233,367	-	-	-	-	1,233,367	-	1,233,367
Donated Federal Commodities	15,045	-	15,045	-	-	-	-	15,045	-	15,045
Contributions - State Awards	29,974	-	29,974	-	-	-	-	29,974	-	29,974
Private Grants and Contributions	3,880	6,580	10,460	1,538,363	-	1,538,363	(1,538,363)	3,880	6,580	10,460
Service Fees	67,203	-	67,203	-	-	-	-	67,203	-	67,203
Student Fees	79,714	-	79,714	-	-	-	-	79,714	-	79,714
Interest	48,445	-	48,445	452,278	-	452,278	-	500,723	-	500,723
Special Events (Net)	6,245	-	6,245	-	-	-	-	6,245	-	6,245
Loss on Disposal of Fixed Assets	(1,168)	-	(1,168)	-	-	-	-	(1,168)	-	(1,168)
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>6,580</u>	<u>(6,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,580</u>	<u>(6,580)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 6,639,953</u>	<u>\$ -</u>	<u>\$ 6,639,953</u>	<u>\$ 1,990,641</u>	<u>\$ -</u>	<u>\$ 1,990,641</u>	<u>\$ (1,538,363)</u>	<u>\$ 7,092,231</u>	<u>\$ -</u>	<u>\$ 7,092,231</u>
<u>Expenses and Losses:</u>										
Educational Services	\$ 4,761,143	\$ -	\$ 4,761,143	\$ -	\$ -	\$ -	\$ -	\$ 4,761,143	\$ -	\$ 4,761,143
Fundraising	23,590	-	23,590	-	-	-	-	23,590	-	23,590
General and Administrative	657,683	-	657,683	480,231	-	480,231	-	1,137,914	-	1,137,914
Payments to Affiliated Organization	<u>1,538,363</u>	<u>-</u>	<u>1,538,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,538,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses and Losses	<u>\$ 6,980,779</u>	<u>\$ -</u>	<u>\$ 6,980,779</u>	<u>\$ 480,231</u>	<u>\$ -</u>	<u>\$ 480,231</u>	<u>\$ (1,538,363)</u>	<u>\$ 5,922,647</u>	<u>\$ -</u>	<u>\$ 5,922,647</u>
Changes in Net Assets	\$ (340,826)	\$ -	\$ (340,826)	\$ 1,510,410	\$ -	\$ 1,510,410	\$ -	\$ 1,169,584	\$ -	\$ 1,169,584
Net Assets, Beginning of Year	<u>5,563,723</u>	<u>-</u>	<u>5,563,723</u>	<u>(180)</u>	<u>-</u>	<u>(180)</u>	<u>-</u>	<u>5,563,543</u>	<u>-</u>	<u>5,563,543</u>
Net Assets, End of Year	<u>\$ 5,222,897</u>	<u>\$ -</u>	<u>\$ 5,222,897</u>	<u>\$ 1,510,230</u>	<u>\$ -</u>	<u>\$ 1,510,230</u>	<u>\$ -</u>	<u>\$ 6,733,127</u>	<u>\$ -</u>	<u>\$ 6,733,127</u>

(See Accompanying Notes and Auditor's Report)

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Trustees  
Early Childhood Academy  
Public Charter School and Subsidiary  
885 Barnaby Street, SE  
Washington, DC 20032

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

We have audited, in accordance with 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 Early Childhood Academy Public Charter School and Subsidiary (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Early Childhood Academy Public Charter School and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Early Childhood Academy Public Charter School and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 17, 2020

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

There were no findings reported in the prior year.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

I. Summary of Audit Results

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

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

There were no findings in the current year.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2020

<u>Vendor Name</u>	<u>Goods/Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>	<u>Fiscal Year</u>
Heavenly Edibles	Catering Services for NSLP	307,420	no	FY20
Motir Services	Janitorial Services	79,589	no	FY20
Urban Teachers	Provide Resident Teachers, Coaching, and Professional Development and Training Support	61,000	no	FY20
Instruction Partners	Academic Support Services	45,303	no	FY20
School Outfitters	Classrooms and Office Furniture	37,264	no	FY20
ADP	Payroll Services and Human Resource Management	36,817	no	FY20
Kendall, Prebola and Jones, LLC	Financial Auditing Services	30,700	no	FY20
End-to-End Solutions for Special Education	Special Education Services - Behavior Support, Speech Language Therapy, and Occupational Therapy	276,100	no	FY20