

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, 2019 AND 2018

**KENDALL, PREBOLA AND JONES**

Certified Public Accountants

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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, 2019 and 2018, 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, 2019 and 2018, 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. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Information**

We have audited the financial statements of the Early Childhood Academy Public Charter School and Subsidiary as of and for the years ended June 30, 2019 and 2018, and our report thereon dated January 9, 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 January 9, 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  
January 9, 2020

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
COMPARATIVE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 7,919,955	\$ 4,040,093
Accounts Receivable	105,650	76,101
Grants Receivable	156,031	171,768
Promises Receivable	100	-
Escrow Receivable	4,940	-
Prepaid Expenses	<u>18,885</u>	<u>14,249</u>
Total Current Assets	<u>\$ 8,205,561</u>	<u>\$ 4,302,211</u>
<u>Fixed Assets:</u>		
Fixed Assets - Net of Accumulated Depreciation	\$ 112,545	\$ 60,084
Land	1,642,489	50,000
Construction in Progress	<u>13,950,328</u>	<u>1,786,191</u>
Total Fixed Assets	<u>\$ 15,705,362</u>	<u>\$ 1,896,275</u>
<u>Long-Term Assets:</u>		
Cash Restricted for Debt Service	\$ 533,571	\$ -
Notes Receivable	<u>11,140,800</u>	<u>-</u>
Total Long-Term Assets	<u>\$ 11,674,371</u>	<u>\$ -</u>
<u>Other Assets:</u>		
Deposits	\$ 43,082	\$ 57,517
Loan Acquisition Costs	<u>-</u>	<u>40,000</u>
Total Other Assets	<u>\$ 43,082</u>	<u>\$ 97,517</u>
TOTAL ASSETS	<u>\$ 35,628,376</u>	<u>\$ 6,296,003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 2,054,077	\$ 558,069
Accrued Salary and Vacation	168,189	151,735
Payroll Withholdings and Related Liabilities	35,371	19,599
Accrued Interest Payable	7,367	-
Deferred Revenues	-	126
Current Portion: Long-Term Debt	<u>46,033</u>	<u>2,931</u>
Total Current Liabilities	<u>\$ 2,311,037</u>	<u>\$ 732,460</u>
<u>Long-Term Liabilities:</u>		
Capital Lease Payable	\$ -	\$ 2,931
Loans Payable - Net of Debt Issuance Costs	11,549,221	-
Loans Payable - (NMTC) Net of Debt Issuance Costs	15,081,024	-
Less: Current Portion	<u>(46,033)</u>	<u>(2,931)</u>
Total Long-Term Liabilities	<u>\$ 26,584,212</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 28,895,249</u>	<u>\$ 732,460</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 6,733,127	\$ 5,563,543
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 6,733,127</u>	<u>\$ 5,563,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,628,376</u>	<u>\$ 6,296,003</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, 2019 AND 2018

	<u>June 30, 2019</u>			<u>June 30, 2018</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>Revenues and Other Support:</u>						
Per-Pupil Funding Allocation	\$ 4,321,866	\$ -	\$ 4,321,866	\$ 3,941,922	\$ -	\$ 3,941,922
Per-Pupil Funding - Facilities Allowance	828,802	-	828,802	785,411	-	785,411
Federal Entitlements and Grants	1,233,367	-	1,233,367	596,110	-	596,110
Donated Federal Commodities	15,045	-	15,045	16,796	-	16,796
State Grants	29,974	-	29,974	18,456	-	18,456
Private Grants and Contributions	3,880	6,580	10,460	38,634	-	38,634
Service Fees	67,203	-	67,203	42,589	-	42,589
Student Fees	79,714	-	79,714	59,283	-	59,283
Interest	500,723	-	500,723	5,257	-	5,257
Special Events (Net)	6,245	-	6,245	4,340	-	4,340
Loss on Disposal of Fixed Assets	(1,168)	-	(1,168)	(669)	-	(669)
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>
Total Revenues and Other Support	<u>\$ 7,092,231</u>	<u>\$ -</u>	<u>\$ 7,092,231</u>	<u>\$ 5,508,129</u>	<u>\$ -</u>	<u>\$ 5,508,129</u>
<u>Expenses and Losses:</u>						
Educational Services	\$ 4,761,143	\$ -	\$ 4,761,143	\$ 4,457,357	\$ -	\$ 4,457,357
Fundraising	23,590	-	23,590	29,077	-	29,077
General and Administrative	<u>1,137,914</u>	<u>-</u>	<u>1,137,914</u>	<u>467,230</u>	<u>-</u>	<u>467,230</u>
Total Expenses	<u>\$ 5,922,647</u>	<u>\$ -</u>	<u>\$ 5,922,647</u>	<u>\$ 4,953,664</u>	<u>\$ -</u>	<u>\$ 4,953,664</u>
Changes in Net Assets	\$ 1,169,584	\$ -	\$ 1,169,584	\$ 554,465	\$ -	\$ 554,465
Net Assets, Beginning of Year	<u>5,563,543</u>	<u>-</u>	<u>5,563,543</u>	<u>5,009,078</u>	<u>-</u>	<u>5,009,078</u>
Net Assets, End of Year	<u>\$ 6,733,127</u>	<u>\$ -</u>	<u>\$ 6,733,127</u>	<u>\$ 5,563,543</u>	<u>\$ -</u>	<u>\$ 5,563,543</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, 2019 AND 2018

June 30, 2019										
	Early Childhood Academy Public Charter School				Support Corporation		Total			
	Total	Educational Services	General and Administrative	Fundraising	Total	General and Administrative	Total	Educational Services	General and Administrative	Fundraising
<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	\$ 3,520,562	\$ 3,152,766	\$ 346,672	\$ 21,124	\$ -	\$ -	\$ 3,520,562	\$ 3,152,766	\$ 346,672	\$ 21,124
<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	\$ 612,002	\$ 612,002	\$ -	\$ -	\$ -	\$ -	\$ 612,002	\$ 612,002	\$ -	\$ -
<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
Total Occupancy Costs	\$ 781,492	\$ 724,306	\$ 55,201	\$ 1,985	\$ -	\$ -	\$ 781,492	\$ 724,306	\$ 55,201	\$ 1,985

(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, 2019 AND 2018

June 30, 2019										
Early Childhood Academy Public Charter School				Support Corporation		Total				
Total	Educational Services	General and Administrative	Fundraising	Total	General and Administrative	Total	Educational Services	General and Administrative	Fundraising	
<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	-
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	-
Total General Expenses	\$ 397,745	\$ 162,802	\$ 234,648	\$ 295	\$ 480,053	\$ 480,053	\$ 877,798	\$ 162,802	\$ 714,701	\$ 295
TOTAL FUNCTIONAL EXPENSES	\$ 5,442,416	\$ 4,761,143	\$ 657,683	\$ 23,590	\$ 480,231	\$ 480,231	\$ 5,922,647	\$ 4,761,143	\$ 1,137,914	\$ 23,590

(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, 2019 AND 2018

	June 30, 2018			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>				
Principal/Executive Salaries	\$ 287,256	\$ 226,962	\$ 43,829	\$ 16,465
Teachers' Salaries	981,046	981,046	-	-
Teachers' Aides/Assistants' Salaries	448,803	448,803	-	-
Other Educational Professional Salaries	257,569	231,812	25,757	-
Substitute Teacher Salaries	18,254	18,254	-	-
Clerical Salaries	182,114	160,737	19,549	1,828
Custodial/Food Service Staff	113,258	92,940	20,318	-
Before and After Care Salaries	109,189	109,189	-	-
Business Operation Salaries	289,729	145,126	144,603	-
Employee Benefits	394,957	354,976	37,292	2,689
Payroll Taxes	211,079	189,686	19,956	1,437
Staff Development Costs	<u>62,094</u>	<u>56,183</u>	<u>5,911</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 3,355,348</u>	<u>\$ 3,015,714</u>	<u>\$ 317,215</u>	<u>\$ 22,419</u>
<u>Direct Student Costs:</u>				
Food Service	\$ 253,636	\$ 253,636	\$ -	\$ -
Student Supplies and Materials	55,131	55,131	-	-
Contracted Instructional/Student Services	152,755	152,755	-	-
Transportation	20,174	20,174	-	-
Other Student Costs	<u>20,176</u>	<u>20,176</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 501,872</u>	<u>\$ 501,872</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>				
Rent	\$ 595,808	\$ 535,423	\$ 56,329	\$ 4,056
Utilities	47,269	42,478	4,469	322
Cleaning and Maintenance	14,107	12,677	1,334	96
Depreciation	3,498	3,144	330	24
Contracted Building Services	<u>79,030</u>	<u>71,020</u>	<u>7,472</u>	<u>538</u>
Total Occupancy Costs	<u>\$ 739,712</u>	<u>\$ 664,742</u>	<u>\$ 69,934</u>	<u>\$ 5,036</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, 2019 AND 2018

	June 30, 2018			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>				
Office Supplies and Materials	\$ 11,065	\$ 9,944	\$ 1,046	\$ 75
Consulting	71,773	48,318	23,455	-
Equipment Rental and Maintenance	4,636	4,167	438	31
Telecommunications	34,689	31,173	3,280	236
Postage and Shipping	826	742	78	6
Printing and Copying	11,854	10,652	1,121	81
Marketing and Promotion	<u>11,884</u>	<u>11,653</u>	<u>231</u>	<u>-</u>
Total Office Expenses	<u>\$ 146,727</u>	<u>\$ 116,649</u>	<u>\$ 29,649</u>	<u>\$ 429</u>
<u>General Expenses:</u>				
Insurance	\$ 19,771	\$ 17,720	\$ 1,917	\$ 134
Licenses and Fees	2,022	1,817	191	14
Accounting and Legal Services	29,306	-	29,306	-
Payroll Service Fees	22,499	20,219	2,127	153
Administrative Fees	49,453	44,441	4,676	336
Depreciation	54,036	48,559	5,109	368
Dues and Subscriptions	17,733	15,936	1,676	121
Office Expense	9,842	8,845	930	67
Contributions	-	-	-	-
Bad Debt Expense	4,500	-	4,500	-
Income Taxes	-	-	-	-
Loan Amortization Interest	-	-	-	-
Interest Expense	<u>843</u>	<u>843</u>	<u>-</u>	<u>-</u>
Total General Expenses	<u>\$ 210,005</u>	<u>\$ 158,380</u>	<u>\$ 50,432</u>	<u>\$ 1,193</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,953,664</u>	<u>\$ 4,457,357</u>	<u>\$ 467,230</u>	<u>\$ 29,077</u>

(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, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,169,584	\$ 554,465
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	35,919	57,534
Loan Amortization - Interest	77,700	-
Loss on Disposal of Fixed Assets	1,168	669
Bad Debt Expense	-	4,500
Accounts Receivable - (Increase)/Decrease	(29,549)	(36,442)
Grants Receivable - (Increase)/Decrease	15,737	(753)
Promises Receivable - (Increase)/Decrease	(100)	-
Escrow Receivable - (Increase)/Decrease	(4,940)	-
Prepaid Expenses - (Increase)/Decrease	(4,636)	6,580
Deposits - (Increase)/Decrease	14,435	(660)
Accounts Payable - Increase/(Decrease)	(533,367)	(65,517)
Accrued Salary and Vacation - Increase/(Decrease)	16,453	9,496
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	15,772	16,227
Accrued Interest Payable - Increase/(Decrease)	7,367	-
Deferred Revenues - Increase/(Decrease)	(126)	126
Net Cash Flows from Operating Activities	<u>\$ 781,417</u>	<u>\$ 546,225</u>
<u>Cash Flows from Investing Activities:</u>		
Outflows on Note Receivable	\$ (11,140,800)	\$ -
Purchase of Fixed Assets	(89,547)	(23,339)
Purchase of Land	(1,592,489)	(50,000)
Payments for Construction in Progress	(10,134,762)	(679,101)
Net Cash Flows from Investing Activities	<u>\$ (22,957,598)</u>	<u>\$ (752,440)</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	(35,423)	-
Payments for Loan Acquisition Fees	(647,032)	(40,000)
Payments on Capital Lease	(2,931)	(6,423)
Net Cash Flows from Financing Activities	<u>\$ 26,589,614</u>	<u>\$ (46,423)</u>
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	\$ 4,413,433	\$ (252,638)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>4,040,093</u>	<u>4,292,731</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 8,453,526</u>	<u>\$ 4,040,093</u>

Supplemental Disclosures:

- a) Income taxes in the amount of \$403 were paid during the year ended June 30, 2019. No income taxes were paid during the year ended June 30, 2018.
- b) Cash paid for interest during the years ended June 30, 2019 and 2018 was \$523,272 and \$843, respectively.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and Cash Equivalents	\$ 7,919,955	\$ 4,040,093
Restricted Cash - Debt Service	<u>533,571</u>	<u>-</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 8,453,526</u>	<u>\$ 4,040,093</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), and Subsidiary, 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 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 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 are summarized below:

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

**Contributions**

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

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)

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.

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

**Federal and Charter School Funding**

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

**Before and After Care Fees**

The Charter School offers fee-based extended day programming for students in grades prekindergarten through third grade. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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. 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 and personal property taxes. An application for real estate tax exemption was filed with the District of Columbia and has yet to be granted.

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

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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.

**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, 2019</u>	<u>June 30, 2018</u>
School Building Construction	\$ 6,580	\$ -
Total Net Assets Released from Restrictions	\$ 6,580	\$ -

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials:

Donated services and materials 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 or materials recognized during the years ended June 30, 2019 and 2018.

(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 upon the Early Learning Standards for prekindergarten and the national Common Core standards for reading and math, 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 curriculum that covers 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.

*Houghton Mifflin Science* and *Social Studies* are comprehensive learning programs that include a variety of products to help maximize teaching effectiveness, including textbooks, workbooks, teachers' guides and resources, audio-visual aids, and computer software.

*McGraw-Hill My Math* and *Reading Wonders* provide students with research-based content aligned with the Common Core State Standards. Differentiated instruction allows teachers to reach every student and ensure success on state and standardized tests. Together, these curriculum tools will ensure an appropriate and challenging educational program focusing on children's developmental progress and mastery of content knowledge and skills.



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**

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 are given specific instructions on how to analyze data and use it to plan for instruction.

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 and Scoring System (CLASS). Formative and summative assessments for kindergarten through grade three are administered using the Northwest Evaluation Association Measures of Academic Progress (MAP). 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 that goals and standards are met.

**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, age-appropriate, and culturally sensitive.

**Professional Development**

ECA believes that high-quality professional development and ongoing feedback and support from administrators provide teachers with the knowledge base 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 reading 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.

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)

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.

**Parent Involvement**

ECA is dedicated to encouraging strong and consistent parent involvement in all aspects of the child's educational, social, and emotional development. Orientation meetings are held during which parents receive *Parent Handbooks* and sign a "School-Parent Compact." Parent meetings, phone calls, written progress reports, and regularly scheduled meetings are implemented to discuss children's progress, notify parents of ECA's performance in meeting yearly academic goals, and to ensure open communication with parents on a regular basis. In addition, ECA offers free quarterly parent education workshops. The family support coordinator facilitates the establishment of the school's Parent Engagement Committee and Schoolwide Planning Committee to provide guidance and recommendations in the use of school funding and implementation of school programs.

**Community Involvement**

The executive director will promote partnerships and collaborative ventures with school personnel and other public and private stakeholder organizations to facilitate service delivery. ECA will also develop a continually updated list of opportunities for parents and other community members to participate in school activities.

ECA currently partners with EDspired, Friends of Choice in Urban Schools, the Special Education Cooperative, the DC Association of Chartered Public Schools, AppleTree Institute for Education Innovation, eyemaginED, Operation Warm and the Joyful Market.

**Leadership**

ECA is overseen by the eleven-member Board of Trustees, who is responsible for the governance of the school. On-site leadership is provided by the executive director, who has overall responsibility for the operation of the Charter School and the educational program; and by the school principal, who provides instructional leadership and program and building management. ECA's executive director holds a master's degree in educational psychology and has over thirty years of experience as a teacher, special education coordinator, assistant principal, principal, and executive director. ECA's principal holds two master's degrees in teaching and early childhood special education and has over twenty years of experience as a teacher, special education coordinator, assistant principal, and principal. ECA's financial manager, a CPA and instructor at the University of the District of Columbia, provides the financial and HR expertise for the leadership team.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

**Leadership** (Continued)

Early Childhood Academy Public Charter School's leadership is composed of a highly competent team of stakeholders from the Washington, DC community who are knowledgeable about the educational and developmental needs of children, understand the communities which they serve, and are connected with the resources and services of government and nonprofits. They know law and accounting, and they are all committed to and invigorated by this endeavor.

The leadership team, along with the teaching staff of ECA, shares an understanding that the ability of children to learn is affected by many outside factors, such as socioeconomic backgrounds, family stability, parental employment and education, and influences from the community. Although ECA alone cannot successfully address all of the negative societal exposure many children face, it can and does serve as a foundation for their strong academic and emotional growth and development, and as a nurturing and safe haven for its students.

(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.

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.

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)

- 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, and depreciation 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.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

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

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

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.

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

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

Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

June 30, 2019

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 7,919,955
Cash Held for Debt Service	533,571
Accounts Receivable	105,650
Grants Receivable	156,031
Escrow Receivable	4,940
Promises Receivable	<u>100</u>

Total Financial Assets	\$ <u>8,720,247</u>
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Less Amounts Not Available for General  
Expenditure Within One Year Due to:

Contractual Restrictions:	
Cash Held for Debt Service	\$ 454,571
Cash Held in Escrow	<u>4,940</u>

Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ <u>8,260,736</u>
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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.

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, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2019, the Charter School had no accruals for interest and/or penalties.

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

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Non-Interest Bearing Checking Accounts	\$ 1,007,609	\$ 421,148
Interest Bearing Checking Accounts	4,322,015	-
Money Market Accounts	2,589,831	3,618,445
Petty Cash	<u>500</u>	<u>500</u>
Total	<u>\$ 7,919,955</u>	<u>\$ 4,040,093</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 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, as well as account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total is insured up to \$250,000.

As of June 30, 2019 and 2018, \$7,494,195 and \$3,373,421, 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.

**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, 2019 was \$533,571.

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

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

Accounts and grants receivable are current and are considered to be fully collectible by management. Balances as of June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable:</u>		
Per Pupil Funding	\$ 36,788	\$ 44,020
E-rate (USAC) Program	32,634	24,688
Medicaid - School Based Services	24,723	6,893
Reimbursable Expenses	<u>11,505</u>	<u>500</u>
Total Accounts Receivable	<u>\$ 105,650</u>	<u>\$ 76,101</u>
<u>Grants Receivable:</u>		
DC School Choice Incentive Program - SOAR	\$ 103,043	\$ 100,943
Elementary and Secondary Education	24,727	27,187
National School Food Programs	22,072	25,865
Individuals with Disabilities Education Act	258	10,106
Technology Fund	5,123	5,123
Healthy Schools Act	808	853
Special Education Enhancement	<u>-</u>	<u>1,691</u>
Total Grants Receivable	<u>\$ 156,031</u>	<u>\$ 171,768</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from public 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 the Charter School through the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended June 30, 2019 and 2018.

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. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS 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. 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, 2019</u>	<u>June 30, 2018</u>
General Support - Unrestricted	\$ 100	\$ -
Total	<u>\$ 100</u>	<u>\$ -</u>

6. FIXED ASSETS:

Furniture, equipment and leasehold improvements are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$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 or amortized over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gains or losses are reflected in income for the period. Depreciation and amortization have 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 and amortization expense for the years ended June 30, 2019 and 2018, was \$35,919 and \$57,534, respectively. Major classifications of fixed assets and their estimated useful lives are as summarized below:

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>

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6. FIXED ASSETS: (Continued)

June 30, 2018:

	Depreciable Life	Cost	Accumulated Depreciation	Net Book Value
Furniture and Equipment	7-10 Years	\$ 174,358	\$ 154,720	\$ 19,638
Computer Equipment	3-5 Years	258,491	219,966	38,525
Leasehold Improvements	5 Years	75,235	73,314	1,921
Land Deposit	-	50,000	-	50,000
Construction in Progress	-	<u>1,786,191</u>	<u>-</u>	<u>1,786,191</u>
Total		<u>\$ 2,344,275</u>	<u>\$ 448,000</u>	<u>\$ 1,896,275</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.

**Construction in Progress - New Campus and Education Facility 885 Barnaby Street**

Over the last fourteen years, the Early Childhood Academy has 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. 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 costs to construct this facility are estimated to be about \$18 million. Total construction costs incurred through June 30, 2019 and 2018, not including the cost of the land was \$13,950,328 and \$1,786,191, 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. Interest capitalized through June 30, 2019 was \$516,616.

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%.

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7. NOTE RECEIVABLE: (Continued)

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, 2019, the balance on notes receivable was \$11,140,800. Interest received on the loans for the year ended June 30, 2019, was \$452,227.

8. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2017, the Charter School entered into a capital lease agreement for the purchase of thirty (30) Chromebook computers. The amount financed on the capital lease was \$12,735, payable over 24 months with a monthly payment of \$606. Interest expense was \$96 and \$843, respectively, for the years ended June 30, 2019 and 2018, using an implicit rate of 13.01%. The lease was secured by the Chromebooks that cost \$12,735 and is presented as part of computer equipment. For the years ended June 30, 2019 and 2018, depreciation expense in the amount of \$4,245 on the Chromebooks has been included in depreciation expense. Accumulated depreciation was \$10,966 and \$6,721, respectively, at June 30, 2019 and 2018. Maturity on this capital lease was November 30, 2018. The balance of the capital lease was \$2,931 at June 30, 2018.

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 year ended June 30, 2019 was \$72,196. The balance of this loan at June 30, 2019 was \$1,964,577.

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9. NOTES PAYABLE: (Continued)

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

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.

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

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 133,670	\$ 46,033	\$ 87,637
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>\$ 2,477,465</u>	<u>\$ 1,964,577</u>	<u>\$ 512,888</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 partially in the arrears and partially in advance. 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 year ended June 30, 2019, was \$458,443. The balance of this loan at June 30, 2019, was \$9,675,000.

**Leverage Loans - New Markets Tax Credit**

The New Market 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, 2019, the unpaid balance on the notes was \$15,600,000. Interest paid on the loans for the year ended June 30, 2019, was \$516,616. Such interest has been capitalized as a part of the construction in progress. 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, 2019, 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	\$ 164,802	Type A-1	9/11/2025
Community Urban Revitalization Enterprises	4,698,551	155,599	Type A-1	9/11/2025
City First Capital 53, LLC	753,951	24,968	Type A-2	12/31/2053
Community Urban Revitalization Enterprises	711,849	23,574	Type A-2	12/31/2053
City First Capital 53, LLC	2,109,600	69,863	Type B	12/31/2053
Community Urban Revitalization Enterprises	<u>2,349,600</u>	<u>77,810</u>	Type B	12/31/2053
Total	<u>\$ 15,600,000</u>	<u>\$ 516,616</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 \$ 77,700 for the year ended June 30, 2019. Long-term debt at June 30, 2019, consisted of the following:

	<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>

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. If not renewed, the charter contract will expire on or about January 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.

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10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

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 2015. 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 17/18 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, 2019 and 2018, the Charter School incurred \$59,016 and \$49,453, 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, 2019, was not permitted to be greater than 300 students. Audit enrollment for the 2018/2019 year was 254 students and enrollment for the 2017/2018 year was 246 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, 2019, the per-student rate ranged between \$10,658 and \$14,282 for the educational allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per-student rate ranged between \$10,257 and \$13,744 for the educational allotment and \$3,193 for the facility allotment. Additional allotments were made for special educational services and summer schooling. Per-pupil funding for the years ended June 30, 2019 and 2018 were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Pre-Kindergarten - 3 <sup>rd</sup> Grade	\$ 3,158,178	\$ 2,974,940
Special Education	712,474	509,354
At-Risk Students	451,214	388,607
Facilities Allowance	828,802	785,411
Teachers Collective Bargaining	<u>-</u>	<u>69,021</u>
Total	<u>\$ 5,150,668</u>	<u>\$ 4,727,333</u>

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12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in the following federal awards programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
National School Food Programs	\$ 237,954	\$ 226,277
DC School Incentive Program - SOAR	787,651	207,146
Elementary and Secondary Education - Schoolwide	161,556	139,254
Individuals with Disabilities Education Act	46,206	23,433
Donated Commodities	<u>15,045</u>	<u>16,796</u>
Total	<u>\$ 1,248,412</u>	<u>\$ 612,906</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. 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, 2019 and 2018 was \$409,780 and \$402,639, respectively.



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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. This lease called for monthly lease payments of \$16,777 and a security deposit of \$11,000. Rental expense for the years ended June 30, 2019 and 2018 was \$201,324 and \$191,737, respectively.

**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 year ending June 30, 2019 was \$3,493. Future minimum payments due under this lease are as follows:

Year Ending June 30,

2020	\$ 5,988
2021	5,988
2022	<u>2,495</u>
Total	<u>\$ 14,471</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, 2019 and 2018 were \$5,000 and \$15,375, respectively.

**Contributions**

Various board members and leadership of the Early Childhood Academy provided contributions to the Charter School in the amount of \$3,250 and \$6,215 during the years ended June 30, 2019 and 2018, respectively.

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14. RELATED PARTY TRANSACTIONS: (Continued)

**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.

**Board of Trustees**

Two of the trustees appointed to serve on the Board of Trustees are parents of students attending the Early Childhood Academy Public Charter School. In addition, these individuals are employees of 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 by an advisory committee.

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, 2019 and 2018, seventy-three percent (73%) and eighty-six percent (86%), 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:

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.

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16. CONTINGENCIES: (Continued)

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of 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.

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.

17. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 9, 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, 2019 and 2018, expenses incurred for the purpose of fundraising were \$23,590 and \$29,077, respectively.

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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, 2019 and 2018 were \$72,185 and \$59,272, 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, 2019 and 2018 was \$17,537 and \$17,598, respectively.

20. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 209,545	\$ 191,060
Health and Dental Insurance	220,369	261,262
Retirement	89,722	76,870
Life	4,466	4,093
Disability	22,322	20,645
Unemployment	16,760	20,019
Paid Leave Tax	3,026	-
Workers Compensation	16,172	16,796
De Minimis	19,696	10,578
Benefit Fees	<u>5,374</u>	<u>4,713</u>
Total	<u>\$ 607,452</u>	<u>\$ 606,036</u>

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

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**  
**PUBLIC CHARTER SCHOOL AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

	Early Childhood Academy	Support Corporation	Eliminations	Total
<b><u>ASSETS</u></b>				
<b><u>Current Assets:</u></b>				
Cash and Cash Equivalents	\$ 7,877,672	\$ 42,283	\$ -	\$ 7,919,955
Accounts Receivable	105,650	-	-	105,650
Due from Related Organization	75,411	-	(75,411)	-
Grants Receivable	156,031	-	-	156,031
Promises Receivable	100	-	-	100
Escrow Receivable	-	4,940	-	4,940
Prepaid Expenses	18,885	-	-	18,885
Total Current Assets	<u>\$ 8,233,749</u>	<u>\$ 47,223</u>	<u>\$ (75,411)</u>	<u>\$ 8,205,561</u>
<b><u>Fixed Assets:</u></b>				
Fixed Assets - Net of Accumulated Depreciation	\$ 112,545	\$ -	\$ -	\$ 112,545
Land	1,642,489	-	-	1,642,489
Construction in Progress	13,950,328	-	-	13,950,328
Total Fixed Assets	<u>\$ 15,705,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,705,362</u>
<b><u>Long-Term Assets:</u></b>				
Cash Restricted for Debt Service	\$ 533,571	\$ -	\$ -	\$ 533,571
Notes Receivable	-	11,140,800	-	11,140,800
Total Long-Term Assets	<u>\$ 533,571</u>	<u>\$ 11,140,800</u>	<u>\$ -</u>	<u>\$ 11,674,371</u>
<b><u>Other Assets:</u></b>				
Deposits	\$ 43,082	\$ -	\$ -	\$ 43,082
Total Other Assets	<u>\$ 43,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,082</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 24,515,764</b></u>	<u><b>\$ 11,188,023</b></u>	<u><b>\$ (75,411)</b></u>	<u><b>\$ 35,628,376</b></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>Current Liabilities:</u></b>				
Accounts Payable	\$ 2,054,077	\$ -	\$ -	\$ 2,054,077
Accrued Salary and Vacation	168,189	-	-	168,189
Payroll Withholdings and Related Liabilities	35,371	-	-	35,371
Accrued Interest Payable	7,367	-	-	7,367
Due to Related Organization	-	75,411	(75,411)	-
Current Portion: Long-Term Debt	46,033	-	-	46,033
Total Current Liabilities	<u>\$ 2,311,037</u>	<u>\$ 75,411</u>	<u>\$ (75,411)</u>	<u>\$ 2,311,037</u>
<b><u>Long-Term Liabilities:</u></b>				
Loans Payable - Net of Debt Issuance Costs	\$ 1,946,839	\$ 9,602,382	\$ -	\$ 11,549,221
Loans Payable - (NMTC) Net of Debt Issuance Costs	15,081,024	-	-	15,081,024
Less: Current Portion	(46,033)	-	-	(46,033)
Total Long-Term Liabilities	<u>\$ 16,981,830</u>	<u>\$ 9,602,382</u>	<u>\$ -</u>	<u>\$ 26,584,212</u>
Total Liabilities	<u>\$ 19,292,867</u>	<u>\$ 9,677,793</u>	<u>\$ (75,411)</u>	<u>\$ 28,895,249</u>
<b><u>Net Assets:</u></b>				
Without Donor Restrictions	\$ 5,222,897	\$ 1,510,230	\$ -	\$ 6,733,127
With Donor Restrictions	-	-	-	-
Total Net Assets	<u>\$ 5,222,897</u>	<u>\$ 1,510,230</u>	<u>\$ -</u>	<u>\$ 6,733,127</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 24,515,764</b></u>	<u><b>\$ 11,188,023</b></u>	<u><b>\$ (75,411)</b></u>	<u><b>\$ 35,628,376</b></u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 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
Federal Entitlements and Grants	1,233,367	-	1,233,367	-	-	-	-	1,233,367	-	1,233,367
Donated Federal Commodities	15,045	-	15,045	-	-	-	-	15,045	-	15,045
State Grants	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)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/18</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/19</u>
						<u>Receipts</u>	<u>Expenditures</u>	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Special Education Cluster:								
Special Education - Grants to States (IDEA, Part B)	84.027A	92027A	\$ 35,879	07/01/18 to 09/30/19	\$ -	\$ 35,621	\$ 35,879	\$ 258
Special Education - Grants to States (IDEA, Part B)	84.027A	82027A	\$ 30,931	07/01/17 to 09/30/18	10,106	17,604	7,498	-
Special Education - Preschool Grants (IDEA, Preschool)	84.173A	92173A	\$ 1,567	07/01/18 to 09/30/19	-	1,567	1,567	-
Special Education - Preschool Grants (IDEA, Preschool)	84.173A	82173A	\$ 1,261	07/01/17 to 09/30/18	-	1,262	1,262	-
Total Special Education Cluster					\$ 10,106	\$ 56,054	\$ 46,206	\$ 258
Title I, Part A, Grants to Local Educational Agencies	84.010A	92010A	\$ 124,400	07/01/18 to 09/30/19	\$ -	\$ 105,214	\$ 124,400	\$ 19,186
Title I, Part A, Grants to Local Educational Agencies	84.010A	82010A	\$ 107,734	07/01/17 to 09/30/18	20,844	21,815	971	-
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	92367A	\$ 23,172	07/01/18 to 09/30/19	-	19,592	23,172	3,580
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	82367A	\$ 22,787	07/01/17 to 09/30/18	4,409	4,614	205	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	92424A	\$ 12,718	07/01/18 to 09/30/19	-	10,757	12,718	1,961
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	82424A	\$ 10,000	07/01/17 to 09/30/18	1,935	2,025	90	-
DC School Choice Incentive Program	84.370C	U370C180001	\$ 750,000	07/31/18 to 07/30/20	-	646,957	750,000	103,043
DC School Choice Incentive Program	84.370C	CHOICE-18	\$ 220,604	09/30/17 to 08/11/18	74,200	101,119	26,919	-
DC School Choice Incentive Program	84.370C	U370C17001	\$ 69,591	09/30/17 to 08/03/18	26,743	37,475	10,732	-
Total U.S. Department of Education					\$ 138,237	\$ 1,005,622	\$ 995,413	\$ 128,028
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 69,375	\$ 75,983	\$ 6,608
School Breakfast Program	10.553	N/A	N/A	07/01/17 to 06/30/18	6,797	6,797	-	-
National School Lunch Program	10.555	N/A	N/A	07/01/18 to 06/30/19	-	133,515	146,080	12,565
National School Lunch Program	10.555	N/A	N/A	07/01/17 to 06/30/18	12,641	12,641	-	-
Donated Commodities	10.555	N/A	N/A	07/01/18 to 06/30/19	-	15,045	15,045	-
Total Child Nutrition Cluster					\$ 19,438	\$ 237,373	\$ 237,108	\$ 19,173
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 12,992	\$ 15,891	\$ 2,899
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/17 to 06/30/18	6,427	6,427	-	-
Total U.S. Department of Agriculture					\$ 25,865	\$ 256,792	\$ 252,999	\$ 22,072
Total Federal Awards					\$ 164,102	\$ 1,262,414	\$ 1,248,412	\$ 150,100

(See Accompanying Notes and Auditor's Report)



EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Summary by CFDA

Program	CFDA Number	Amount of Expenditures
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 43,377
Special Education - Preschool Grants (IDEA Preschool)	84.173A	2,829
Title I, Part A, Grants to Local Educational Agencies	84.010A	125,371
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	23,377
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	12,808
DC School Choice Incentive Program	84.370C	787,651
School Breakfast Program	10.553	75,983
National School Lunch Program	10.555	146,080
Donated Commodities	10.555	15,045
Fresh Fruit and Vegetable Program	10.582	<u>15,891</u>
Total Federal Awards		<u>\$ 1,248,412</u>

(See Accompanying Notes and Auditor's Report)

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

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

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

Note 3 - Food Commodities:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 4 - Pass-Through Funds:

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

Note 5 - Major Program Selection:

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

U.S. Department of Education

- DC School Choice Incentive Program

The requirements of the Office of Management and Budget Uniform Guidance require all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. The Early Childhood Academy Public Charter School and Subsidiary's program subject to these requirements is as listed above. The total expenditures of this program represent 63.09% of the total federal expenditures.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 5 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 43,377
Special Education - Preschool Grants (IDEA Preschool)	84.173A	2,829
Title I, Part A, Grants to Local Educational Agencies	84.010A	125,371
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	23,377
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	12,808
DC School Choice Incentive Program	84.370C	787,651*
School Breakfast Program	10.553	75,983
National School Lunch Program	10.555	146,080
Donated Commodities	10.555	15,045
Fresh Fruit and Vegetable Program	10.582	<u>15,891</u>
Total Federal Awards		<u>\$ 1,248,412</u>

\* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Education

1) DC School Choice Incentive Program

**Scholarships for Opportunity and Results (SOAR) Act - Increasing Academic Quality**

The purpose of the Scholarship for Opportunity and Results (SOAR) Act grant is to improve school performance and educational outcomes.

**Scholarships for Opportunity and Results (SOAR) Act - Public Facilities**

The purpose of this funding program is to provide high-quality public charter schools with funds to renovate facilities that are occupied by charter schools. Grant-funded projects must 1) increase the total number of seats available at a high-quality charter school, or 2) increase the quality of existing seats at a high-quality charter school.

**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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 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  
January 9, 2020

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

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on DC School Choice Incentive Program***

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

<u>Finding #</u>	<u>CFDA#</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2019-001	84.370C	DC School Choice Incentive Program	Procurement

Compliance with such requirements is necessary, in our opinion, for Early Childhood Academy Public Charter School and Subsidiary to comply with the requirements applicable to that program.

***Qualified Opinion on DC School Choice Incentive Program***

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

***Other Matters***

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

***Report on Internal Control Over Compliance***

Management of Early Childhood Academy Public Charter School and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Early Childhood Academy Public Charter School and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Early Childhood Academy Public Charter School and Subsidiary's internal control over compliance.

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

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

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

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



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
January 9, 2020



EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of Early Childhood Academy Public Charter School and Subsidiary were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies 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.
- d. No significant deficiencies relating to the audit of the major federal award programs have been reported.
- e. The auditor's report on compliance for the major federal award programs for Early Childhood Academy Public Charter School and Subsidiary expresses a qualified opinion.
- f. There is one audit finding that is required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance in the schedule of findings and questioned costs.
- g. The major program of Early Childhood Academy Public Charter School and Subsidiary was as follows:

<u>Program</u>	<u>CFDA #</u>
DC School Choice Incentive Program	84.370C

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

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

There were no findings in the current year.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 D.C. School Choice Incentive Program: SOAR Act - Public Facilities CFDA# 84.370C

Criteria and Condition: In accordance with the procurement standards as promulgated under Section 200.320 of 2 CFR Chapter 1, Part 200 Subpart D, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as code section 402 and 403 of the District of Columbia Procurement Practices Reform Act of 2010, contracts with an estimated cost value of greater than \$250,000 are required to be solicited through a competitive proposal process. Under the competitive proposal process, the following requirements apply:

- Requests for proposals must be publicized and must identify all evaluation factors and their relative importance.
- Bids must be solicited from an adequate number of qualified sources.
- The organization must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

The Early Childhood Academy contracted with a construction company to install an HVAC system with the use of \$750,000 in federal dollars, however the contract was not publicized prior to award.

Questioned Cost: \$0

Context: During the year ended June 30, 2019, the Early Childhood Academy Public Charter School commenced the construction phase of a rehabilitation project relating to the building of a new education facility. The engineering firm approached seven (7) separate construction companies and requested that each provide a bid for the construction of the Charter School, which included the HVAC system. These construction companies each provided a formal bid, and representatives of the engineering firm and the Charter School evaluated each of the proposals. Through this evaluation, the entire contract was awarded to the company that was deemed to be most advantageous to the project with price and all factors considered. Although the procurement of these services followed the requirements of the Uniform Guidance, the contract was not publicly advertised.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 D.C. School Choice Incentive Program: SOAR Act - Public Facilities CFDA# 84.370C  
(Continued)

Cause: Construction contractors that were known to have experience in the building of schools were contacted through means other than publicly advertising, resulting in a total of seven companies responding to the request for proposal. At the time the bidding and evaluation process was occurring, the Early Childhood Academy Public Charter School had not yet been notified that they were going to be awarded a federal public facilities grant. When the grant was awarded for the purpose of conducting the work for the HVAC system, the project managers did not go back and publicize that piece of the project.

Effect: Federal procurement standards have been established to ensure that all procurement actions are conducted in a manner to ensure, to the maximum extent practical that the solicitation and award of a procurement transaction is most advantageous to both the federal government and the Early Childhood Academy. For this to be achieved, the advertising of the request for proposal promotes open competition without boundaries. When contracts are not publicly advertised there is no guarantee that the federal government has received the most advantageous award possible.

Recommendation: We recommend for future federal procurement contracts resulting in a cost greater than \$250,000, that the Charter School publicly advertise in the D.C. Register as well as at least one newspaper of general circulation.

Views of Responsible Official: The Early Childhood Academy Public Charter School agrees with the proposed recommendation above. For all future procurement contracts that result in a cost of greater than \$250,000, including already planned renovations and other construction projects, the Charter School will ensure that the project managers and engineers are aware that the project is being funded by a federal award and will appropriately publicly advertise the contract.

EARLY CHILDHOOD ACADEMY  
PUBLIC CHARTER SCHOOL AND SUBSIDIARY  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Goods/Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>	<u>Fiscal Year</u>
Meridian Construction Co., Inc	Construction of School Facility	9,830,104	no	FY19
MG Services	Construction and Planning Coordination	649,422	no	FY19
DC Baptist Convention	Rent	409,780	no	FY19
Top Spanish Catering	Catering Services for NSLP	247,263	no	FY19
End-to-End Solutions	Special Education Services	237,711	no	FY19
Woodthrust Mgmt & Consultant Co.	Rent	201,324	no	FY19
TenSquare, LLC	Building Financing and Construction Planning Services	185,362	no	FY19
Cox Graae + Spack Architects	Architectural Services - Construction	148,699	no	FY19
Dentons US LLP	Legal Services for New Markets Tax Credit and Related Loan Financing	133,000	no	FY19
Holland & Knight LLP	Legal Services for New Markets Tax Credit and Related Loan Financing	104,000	no	FY19
Squire Patton Boggs (US), LLP	Legal Services for New Markets Tax Credit and Related Loan Financing	80,000	no	FY19
Law Office of Jerry Levine	Legal Services for New Markets Tax Credit and Related Loan Financing	78,600	no	FY19
Rock Solid District Group, LLC	Janitorial and Day Porter service	75,186	no	FY19
Thompson Coburn LLP	Legal Services for New Markets Tax Credit and Related Loan Financing	70,000	no	FY19
Passport Title Services, LLC	Loan Closing Services	58,025	no	FY19
DMY CAPITOL, LLC	Project Inspection and Engineering	55,724	no	FY19
Dynamic Network Solutions	Network and Cabling Fixed Assets and Construction	46,636	no	FY19
Jones Walker	Legal Services for New Markets Tax Credit and Related Loan Financing	42,000	no	FY19
CohnReznick LLP	Accounting Services - Agreed Upon Procedures	40,850	no	FY19
Hertz Furniture	Classroom and Office Furniture	40,618	no	FY19
DC Baptist Convention	Utility Reimbursement	40,063	no	FY19
Paychex	Payroll Services and Human Resource Management	28,088	no	FY19
Dynamic Network Solutions	Computer Maintenance and Licensing	18,025	no	FY19
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
End-to-End Solutions for Special Education	Special Education Services - Behavior Support, Speech Language Therapy, and Occupational Therapy	25,000	no	FY20