

**ELSIE WHITLOW STOKES COMMUNITY FREEDOM
PUBLIC CHARTER SCHOOL**

**Financial Statements
Together with Reports of Independent Public Accountants**

For the Years Ended June 30, 2019 and 2018



S B & COMPANY, LLC
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JUNE 30, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
Elsie Whitlow Stokes Community Freedom
Public Charter School

Report on the Financial Statements

We have audited the accompanying statements of financial position of Elsie Whitlow Stokes Community Freedom Public Charter School (the School), as of June 30, 2019 and 2018 (as restated), and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2019 and 2018 (as restated), 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.

Emphasis of Matter

Restatement

The financial statements for the year ended June 30, 2018, have been restated to properly account for net assets with donor restrictions and accounts receivable as of June 30, 2018, as described in Note 2.

Other Matters

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

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



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Washington, D.C.
November 22, 2019

SB & Company, LLC

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Statements of Financial Position
As of June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u> (as restated)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,429,768	758,428
Investments	10,923	10,348
Interest rate swap	4,840	-
Accounts receivable	403,094	396,385
Grants receivable	146,957	733,823
Prepaid expenses	50,377	43,145
Total Current Assets	<u>2,045,959</u>	<u>1,942,129</u>
Property and equipment, net	9,743,703	10,053,865
Security deposit	12,102	12,102
Investments - deferred compensation	315,690	247,908
Total Assets	<u>\$ 12,117,454</u>	<u>\$ 12,256,004</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 620,028	\$ 514,588
Deferred compensation	281,924	230,564
Deferred revenue	78,915	60,097
Notes payable - current portion	5,778,813	235,801
Total Current Liabilities	<u>6,759,680</u>	<u>1,041,050</u>
Non-Current Liabilities		
Notes payable, net of current portion	1,278,848	7,043,811
Interest rate swap	-	31,882
Total Non-Current Liabilities	<u>1,278,848</u>	<u>7,075,693</u>
Total Liabilities	<u>8,038,528</u>	<u>8,116,743</u>
Net Assets		
Without donor restrictions	3,878,926	3,939,261
With donor restrictions	200,000	200,000
Total Net Assets	<u>4,078,926</u>	<u>4,139,261</u>
Total Liabilities and Net Assets	<u>\$ 12,117,454</u>	<u>\$ 12,256,004</u>

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Statements of Activities and Changes in Net Assets
For the Years ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u> (as restated)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support:		
Per pupil allocations	\$ 7,325,314	\$ 4,897,320
DC facilities allowance	1,579,292	1,689,158
Federal entitlements	549,886	193,747
Federal grants	360,054	341,374
Grants and contributions	238,041	298,191
Before and after care	486,325	283,853
Student fees	55,696	54,823
Food services	311,384	512,109
Interest income, net	20,504	10,735
Building rental	1,850	2,000
Program fees	65,070	67,769
Fundraising revenue	39,686	12,196
Other	16,336	20,020
Satisfaction of program restrictions	100,000	120,000
Total Revenue and Support	<u>11,149,438</u>	<u>8,503,295</u>
Expenses		
Program services	9,561,461	6,912,429
Supporting services:		
General and administrative	1,486,795	1,122,507
Fundraising	198,239	149,669
Total Supporting Services	<u>1,685,034</u>	<u>1,272,176</u>
Total Expenses	<u>11,246,495</u>	<u>8,184,605</u>
Non-Operating Revenue (Expense)		
Change in fair market value, net	36,722	56,723
Change in Net Assets Without Donor Restrictions	<u>(60,335)</u>	<u>375,413</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	100,000	200,000
Net assets released from restrictions	(100,000)	(120,000)
Change in Net Assets With Donor Restrictions	<u>-</u>	<u>80,000</u>
Changes in net assets	(60,335)	455,413
Net assets, beginning of year	4,139,261	3,683,848
Net Assets, End of Year	<u>\$ 4,078,926</u>	<u>\$ 4,139,261</u>

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Statements of Functional Expenses For the Years ended June 30, 2019, with Comparative 2018 Totals

	2019				2018
	Educational Programs	General and Administrative	Fundraising	Total	Total
SALARIES, TAXES AND BENEFITS					
Salaries	\$ 5,067,653	\$ 915,841	\$ 122,112	\$ 6,105,606	\$ 4,675,064
Employee benefits	982,366	177,536	23,670	1,183,572	940,032
Professional development	151,171	27,320	3,643	182,134	97,883
Total Salaries, Taxes And Benefits	6,201,190	1,120,697	149,425	7,471,312	5,712,979
DIRECT STUDENT COSTS					
Supplies and materials	242,522	-	-	242,522	109,319
Contracted instruction fees	640,692	-	-	640,692	306,348
Student assessments	12,046	-	-	12,046	13,458
School activities	111,613	-	-	111,613	115,516
Food services	243,001	-	-	243,001	121,910
Other student costs	84,658	-	-	84,658	34,674
Total Direct Student Costs	1,334,532	-	-	1,334,532	701,225
OCCUPANCY EXPENSES					
Note payable interest expense	316,834	57,259	7,635	381,728	390,674
Amortized loan fees	13,439	2,429	324	16,192	16,191
Rent	298,961	54,029	7,204	360,194	-
Utilities	72,149	13,039	1,739	86,927	78,295
Contracted building services	197,840	35,754	4,767	238,361	158,276
Maintenance and repairs	36,547	6,605	881	44,033	49,312
Depreciation	229,076	41,399	5,520	275,995	275,994
Total Occupancy Expenses	1,164,846	210,514	28,070	1,403,430	968,742
OFFICE EXPENSES					
Office supplies and materials	5,808	1,050	140	6,998	4,845
Depreciation	113,659	20,541	2,739	136,939	91,974
Telecommunications	51,914	9,382	1,251	62,547	67,380
Professional fees	253,380	45,792	6,106	305,278	135,868
Printing and publications	62,472	11,290	1,505	75,267	80,555
Postage and shipping	555	100	13	668	459
Other	2,110	381	51	2,542	-
Total Office Expenses	489,898	88,536	11,805	590,239	381,081
GENERAL EXPENSES					
Insurance	61,481	11,111	1,481	74,073	65,036
Dues and subscriptions	9,321	1,685	225	11,231	9,046
Transportation	8,268	1,494	199	9,961	8,849
Food services - Stokes Kitchen	162,127	29,300	3,907	195,334	247,496
DC PCSB administration fee	81,888	14,799	1,973	98,660	65,321
Marketing and advertising	23,920	4,323	576	28,819	6,000
Bank/credit card service fees	17,142	3,098	413	20,653	15,626
Other general expense	6,848	1,238	165	8,251	3,204
Total General Expenses	370,995	67,048	8,939	446,982	420,578
Total Expenses	\$ 9,561,461	\$ 1,486,795	\$ 198,239	\$ 11,246,495	\$ 8,184,605

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Statement of Functional Expenses
For the Year ended June 30, 2018**

	2018			
	Educational Programs	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				
Salaries	\$ 3,880,303	\$ 701,260	\$ 93,501	\$ 4,675,064
Employee benefits	780,227	141,005	18,800	940,032
Professional development	81,243	14,682	1,958	97,883
Total salaries, taxes and benefits	<u>4,741,773</u>	<u>856,947</u>	<u>114,259</u>	<u>5,712,979</u>
DIRECT STUDENT COSTS				
Supplies and materials	109,319	-	-	109,319
Contracted instruction fees	306,348	-	-	306,348
Student assessments	13,458	-	-	13,458
School activities	115,516	-	-	115,516
Food services	121,910	-	-	121,910
Other student costs	34,674	-	-	34,674
Total direct student costs	<u>701,225</u>	<u>-</u>	<u>-</u>	<u>701,225</u>
OCCUPANCY EXPENSES				
Note payable interest expense	324,259	58,601	7,814	390,674
Capital lease interest expense	13,438	2,429	324	16,191
Utilities	64,985	11,744	1,566	78,295
Contracted building services	131,369	23,741	3,166	158,276
Maintenance and repairs	40,929	7,397	986	49,312
Depreciation	229,075	41,399	5,520	275,994
Total occupancy expenses	<u>804,055</u>	<u>145,311</u>	<u>19,376</u>	<u>968,742</u>
OFFICE EXPENSES				
Office supplies and materials	4,021	727	97	4,845
Depreciation	76,338	13,796	1,840	91,974
Telecommunications	55,925	10,107	1,348	67,380
Professional fees	112,770	20,380	2,718	135,868
Printing and publications	66,861	12,083	1,611	80,555
Postage and shipping	381	69	9	459
Total office expenses	<u>316,296</u>	<u>57,162</u>	<u>7,623</u>	<u>381,081</u>
GENERAL EXPENSES				
Insurance	53,980	9,755	1,301	65,036
Dues and subscriptions	7,508	1,357	181	9,046
Transportation	7,345	1,327	177	8,849
Food services - Stokes Kitchen	205,422	37,124	4,950	247,496
DC PCSB administration fee	54,216	9,799	1,306	65,321
Marketing and advertising	4,980	900	120	6,000
Bank/credit card service fees	12,970	2,344	312	15,626
Other general expense	2,659	481	64	3,204
Total general expenses	<u>349,080</u>	<u>63,087</u>	<u>8,411</u>	<u>420,578</u>
Total Expenses	<u>\$ 6,912,429</u>	<u>\$ 1,122,507</u>	<u>\$ 149,669</u>	<u>\$ 8,184,605</u>

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Statements of Cash Flows
For the Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (60,335)	\$ 655,413
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	412,934	367,968
Amortization of debt issuance costs	16,192	16,192
Net unrealized gain on investments	(575)	(459)
Interest rate swap gain	(36,722)	(56,723)
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable	(6,709)	(433,678)
Grants receivable	586,866	(622,464)
Prepaid expenses	(7,232)	(18,505)
Security deposit	-	(5,000)
Accounts payable and accrued expenses	105,440	21,660
Deferred compensation	51,360	51,360
Deferred revenue	18,818	1,549
Net Cash from Operating Activities	<u>1,080,037</u>	<u>(22,687)</u>
 Cash Flows from Investing Activities		
Purchases of property and equipment	(102,772)	(587,029)
Purchases of investments	(67,781)	(58,600)
Cash Flows from Investing Activities	<u>(170,553)</u>	<u>(645,629)</u>
 Cash Flows from Financing Activities		
Principal payments on notes payable	(238,144)	(229,706)
Net Cash from Financing Activities	<u>(238,144)</u>	<u>(229,706)</u>
 Net change in cash	671,340	(898,023)
Cash, beginning of year	758,428	1,656,451
Cash, End of Year	<u>\$ 1,429,768</u>	<u>\$ 758,428</u>
 Supplemental Disclosure		
Cash paid during the year for interest	<u>\$ 381,728</u>	<u>\$ 390,674</u>

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

1. ORGANIZATION AND PROGRAM

Elsie Whitlow Stokes Community Freedom Public Charter School (the School) was incorporated in 1998 as a public charter school and enrolls students in kindergarten through fifth grade. The School's mission is to provide an exemplary academic experience in a small nurturing environment to 350 culturally diverse, young children, to focus on high academic standards, early foreign languages, multi-cultural and international education, and to prepare students for citizenship through community service. The School's revenue and other support consist primarily of contributions and grants from the District of Columbia and the Federal government.

On July 1, 1998, the School entered into a contract with the District of Columbia Board of Education granting the School a charter for the establishment of a public charter school in Washington, D.C. The charter was renewed on July 1, 2013, and shall continue for a term of 15 years unless renewed, revoked, or terminated by the District of Columbia Board of Education for violations of applicable laws and conditions, terms and procedures set forth in the charter. The School's current charter provides for enrollment of up to 750 students in kindergarten through sixth grade. Under the provisions of the contract, the District of Columbia Board of Education is to make annual payments to the School for services provided to the students based on the number of students attending the School each year. The School opened a new location and started accepting enrollment in 2018 – 2019 school year.

In June 2014, the School became part of a consortium of schools, including: the District of Columbia Bilingual Public Charter School (DC Bilingual); Latin American Montessori Bilingual Public Charter School (LAMB); Mundo Verde Bilingual Public Charter School (Mundo Verde); and Washington Yu Ying Public Charter School (Yu Ying) (collectively, Consortium Members) that jointly formed the District of Columbia International School (DCI). DCI operates as a public charter school and currently serves students in sixth to tenth grade and will include eleventh and twelfth graders by 2020.

In June 2018, the School's charter amendment was approved to open a second campus and increased the enrollment ceiling from 350 to 750 students. For school year 2018 - 2019, the second location opened with Pre-Kindergarten and Kindergarten classes and each year a grade will be added until reaching Grade 5. In addition, the School entered into a 5-year lease with the Charter School Incubator Initiative to lease the first 2 floors of 5600 East Capitol St. NE, Washington, DC. The lease also includes options for multiple lease renewals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Investments

Investments are recorded at fair market value. Investment income, including unrealized gains or losses, is reported through the change in net assets as unrestricted unless restricted by the donor or by law.

Accounts and Grants Receivable

The School provides an allowance for doubtful accounts equal to the estimated uncollectible accounts. The School's estimate is based on historical collection experience and a review of the current status of specific accounts and grants receivable. There was no allowance for the years ended June 30, 2019 and 2018, as management believes that these amounts are fully collectible.

Property and Equipment, Net

Property and equipment valued in excess of \$500, are capitalized and recorded at cost if purchased or estimated fair market value as of the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

Net Assets

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

Net assets with donor restrictions are those whose use by the School has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of June 30, 2019 and 2018, there was \$200,000, respectively, in net assets with donor restrictions for a specific time period or purpose.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets, depending on the nature of the restriction.

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

Revenue Recognition

The 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 School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statements of financial position. Revenue from other government sources are recognized as earned. Food service revenue is recognized for food services provided to other schools. Costs are shared and the schools are billed based on an allocation of the number of meals provided. Revenue is recognized when billed. In addition, the School recognizes building rental revenue for the rental of the School space on weekends, program fees for summer school, and revenue from special events, such as fundraising galas.

Functional Expense Allocation

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable District of Columbia income tax laws. Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The School performed an evaluation of uncertain tax positions for the year ended June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status.

As of June 30, 2019, the statute of limitations for fiscal years 2016 through 2019, remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Implemented Accounting Pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. The School implemented ASU 2016-14 for the year ended June 30, 2019. The adoption of this standard resulted in certain reclassifications of prior year amounts.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, which creates a singular reporting model for leases. This standard will require the Organization to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2019, the FASB has postponed the implementation of this pronouncement.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

The School evaluated subsequent events and transactions through November 22, 2019, the date the financial statements were available for issue, and has determined that no material subsequent events have occurred.

Liquidity and Availability of Resources

The following reflects the School's financial assets as of June 30, 2019, reduced by amounts not available for general use because of donor-imposed restrictions:

Financial Assets at Year-End	Amount
Cash and cash equivalents	\$ 1,429,768
Investments	10,923
Accounts receivable	403,094
Grants receivable	146,957
Total Financial Assets at Year-End	1,990,742
Less amounts not available to be used within one year:	
Net Assets With Donor Restrictions	(200,000)
Financial Assets Available to be Used Within One Year	\$ 1,790,742

The School has \$1,790,742 of financial assets available within one year of June 30, 2019 to satisfy operating expenses. The School has a goal to maintain financial assets on hand to meet at least 45 days of operating expenses. Additionally, its current ratio goal (total current assets to current liabilities) is 1.0. The School has a policy to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. To help manage unanticipated liquidity needs, the School has a line of credit in the amount of \$100,000, which as of June 30, 2019, it had \$100,000 available to be drawn upon.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The costs of advertising are expensed when the services are received. Advertising expense for the years ended June 30, 2019 and 2018, was approximately \$28,819 and \$6,000, respectively.

Restatement

The School restated net assets by \$200,000, as of June 30, 2018, to properly account for net assets with donor restrictions and accounts receivable for a grant recognized in error. The restatement is as follows:

Net Assets as of June 30, 2018, as previously reported	\$ 4,339,261
Less accounting change for net assets with donor restrictions	<u>200,000</u>
Net Assets as of June 30, 2018, as Restated	<u>\$ 4,139,261</u>
Grants and contributions revenue as of June 30, 2018, as previously stated	\$ 698,191
Less accounting change for grants and contributions revenue	<u>200,000</u>
Grants and contributions revenue as of June 30, 2018, as Restated	<u>\$ 498,191</u>

3. INVESTMENTS

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

3. INVESTMENTS (continued)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for investments measured at fair value.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Notes to the Financial Statements
June 30, 2019 and 2018**

3. INVESTMENTS (continued)

The following table sets forth by level, the fair value hierarchy of the School's investments at fair value as of June 30, 2019 and 2018:

	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Target date funds	\$ 315,690	\$ -	\$ -	\$ 315,690
Large growth funds	10,923	-	-	10,923
Total mutual funds	<u>\$ 326,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,613</u>

	As of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Target date funds	\$ 247,908	\$ -	\$ -	\$ 247,908
Large growth funds	10,348	-	-	10,348
Total mutual funds	<u>\$ 258,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,256</u>

Gains and losses on investments are reported in the accompanying statements of activities and changes in net assets as interest income. The unrealized gains on the mutual funds for the years ended June 30, 2019 and 2018, were \$575 and \$459, respectively.

4. PROPERTY AND EQUIPMENT

As of June 30, 2019 and 2018, property and equipment consisted of the following:

	2019	2018	Estimated Useful Life
Building	\$ 10,735,987	\$ 10,735,987	39 years
Furniture and equipment	166,240	139,643	5 years
Building improvements	1,584,748	1,557,287	10 years
Leasehold improvements	620,417	571,703	5 years
Auto	19,382	19,382	5 years
Total	<u>13,126,774</u>	<u>13,024,002</u>	
Less: accumulated depreciation	<u>3,383,071</u>	<u>2,970,137</u>	
Property and Equipment, Net	<u>\$ 9,743,703</u>	<u>\$ 10,053,865</u>	

Depreciation expense was \$412,934 and \$367,968, for the years ended June 30, 2019 and 2018, respectively.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Notes to the Financial Statements
June 30, 2019 and 2018**

5. NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2019 and 2018:

<u>Notes Payable</u>	<u>Maturity</u>	<u>2019</u>	<u>2018</u>
DC's Energy Efficiency	December 1, 2036	\$ 1,329,284	\$ 1,370,231
BB&T Note Payable	January 18, 2020	<u>5,737,821</u>	<u>5,935,017</u>
Total Notes Payable		<u>\$ 7,067,105</u>	<u>\$ 7,305,248</u>

In January 2013, the School signed an agreement with BB&T Bank (the Bank) to refinance its United Bank construction note payable and the DC Office of Public Chartered Schools note payable. The original amount of the loan was \$6,868,000. The term loan has a principal balance of \$5,737,821, as of June 30, 2019, and bears interest at 1 month London Interbank Offered Rate (LIBOR) plus 2.75%. The interest rate as of June 30, 2019 and 2018, was 5.15% and 4.84%, respectively. Principal and interest payments of \$37,399, are due monthly, with the balance due in full on January 18, 2020. The School named the Bank on the deed of trust lien for the building. The School is in the process of refinancing the note.

Debt issuance costs are costs incurred in refinancing the loan obtained to acquire the land and building. Debt issuance costs are deferred and amortized on a basis that approximates the effective interest method over the term of the debt agreement and recorded as amortization on the accompanying statements of activities and change in net assets. The amortization expense (charged to interest expense) for the debt issuance cost was \$16,192, for the years ended June 30, 2019 and 2018. The accumulated amortization expense as of June 30, 2019 and 2018, was \$103,895 and \$87,703, respectively.

Loan payable consists of following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Principal amount	\$ 7,067,105	\$ 7,305,248
Less: unamortized debt issuance cost	<u>9,444</u>	<u>25,636</u>
Notes Payable, net	<u>\$ 7,057,661</u>	<u>\$ 7,279,612</u>

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

5. NOTES PAYABLE (continued)

The future minimum payments on the notes payable as of June 30, 2019, were as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 5,778,813
2021	46,328
2022	49,286
2023	52,433
2024	55,589
Thereafter	1,084,656
Total	<u>\$ 7,067,105</u>

These notes have certain financial covenants that require annual financial statements to be submitted within 120 days after year end, semi-annual interim financial statements to be provided within 30 days of each 6-month time period, and maintenance of debt service financial ratios. The School was not in compliance with all the covenants for the year ended June 30, 2019; however, a waiver was obtained from the bank.

In July 2016, the School entered into a financing agreement with the District of Columbia and Greenworks Lending LLC to obtain a loan of \$1,429,554, for the installation of energy improvements (roofing, HVAC, etc.). These improvements will be performed under the District of Columbia's Energy Efficiency Loan Program, in which the energy savings are to provide the excess cash to pay the principal and interest payments for the loan. Interest shall accrue on the unpaid principal balance of the funds at a rate of 6.2% per annum, with principal and interest payments of \$64,829, due every six months until the loan is paid off in September 2036.

Interest expense on these notes was \$381,728 and \$390,674 for the years ended June 30, 2019 and 2018, respectively.

6. LINE OF CREDIT

In January 2013, the School obtained a line of credit that allows for borrowings of up to \$100,000. The line of credit has an interest rate at the Bank's prime rate. Any outstanding balances on this line of credit are secured by all assets of the School. There was no outstanding balance as of June 30, 2019 and 2018.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

7. VALUATION OF INTEREST RATE SWAP AGREEMENT

In July 2013, the School entered into an interest rate swap agreement with a bank for a six-and-a-half-year term ending January 2020, to fix the effective interest rate on the BB&T note payable. Under the agreement, the School pays the bank a fixed rate of interest at 4.91%, and the bank pays the School a variable rate of interest based on 2.75% plus LIBOR index on a monthly basis. The interest payments are based on the notional amount which is equal to the outstanding principal balance of the notes payable, which was \$5,737,821 and \$5,935,017, as of June 30, 2019 and 2018, respectively. In accordance with accounting principles generally accepted in the United States of America, as of June 30, 2019 and 2018, the School recorded a liability of \$(4,840) and \$31,882, respectively, which approximated the fair market value of the interest rate swap. An adjustment was recorded to properly state the swap liability at fair market value, and the amount was included in the gain (loss) from interest rate swap in the accompanying statements of activities and change in net assets. The amount of gain from interest rate swap incurred for the years ended June 30, 2019 and 2018, was \$36,722 and \$56,723, respectively.

8. RETIREMENT PLAN

The School has a 403(b) plan. All full time employees who have reached the age of 21 and have been employed for more than one year are eligible to participate in this tax-deferred retirement plan (the Plan). The School's contribution is 3% for employees with less than four years of experience and 5% thereafter. Employees may also make discretionary contributions. Pension expense totaled \$172,637 and \$150,682, for the years ended June 30, 2019 and 2018, respectively.

Supplemental Executive Retirement Plan

Effective January 30, 2014, the School provides a noncontributory supplemental executive retirement plan (the SERP plan) for a certain executive under section 457(f) of the Internal Revenue Code of 1986, as amended. The School's contributions to the SERP plan are established each year at the discretion of the Board of Directors. The participant is vested based on the provisions set forth in the SERP plan document, which was approved by the Board of Directors during fiscal year 2014. As of June 30, 2019 and 2018, the School held \$315,690 and \$247,908, respectively, of deferred compensation in an account that is administered by the School, which has been recorded as other assets in the accompanying statements of financial position.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2019 and 2018

9. COMMITMENTS AND CONTINGENCIES

Leases

In June 2018, the School entered into a 5-year lease with the Charter School Incubator Initiative to lease the first 2 floors of 5600 East Capitol St. NE, Washington, DC, principally for school space through 2023. Rental expense during the years ended June 30, 2019 and 2018, totaled \$360,194 and \$0, respectively.

Future minimum rental payments under the agreement as of June 30, 2019, were as follows:

<u>Years Ending June,</u>	<u>Amount</u>
2020	\$ 367,398
2021	374,746
2022	382,241
2023	389,886
Total	\$ 1,514,271

Grants

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

The School receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have an effect on the School's programs. During the years ended June 30, 2019 and 2018, the School earned revenue of \$9,816,640 and \$7,121,599, from the District of Columbia, which is 88% and 84%, respectively, of the total revenue and support. These amounts are reflected as per pupil allocation and Federal grants and entitlements in the accompanying statements of activities and change in net assets.

Litigation

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

DRAFT

SUPPLEMENTARY INFORMATION

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Schedule of Vendors Contracted for Services in Excess of \$25,000
For the Year Ended June 30, 2019**

(UNAUDITED)

<u>Vendor Name</u>	<u>Service Provided</u>	<u>Contract Value or Payments</u>	<u>Related Party</u>
BenefitMall	Benefits/Insurance	\$ 463,830	No
Charter School Incubator Initiative	Lease	430,997	No
Performance Food Group	NSLP	279,727	No
Paradigm Therapy Partners, LLC	SPED services	195,058	No
Brad Corp Services, Inc.	Cleaning	185,174	No
alignstaffing	Temp Services	139,176	No
Office of Tax and Revenue	Taxes	129,659	No
Grace Computer Solutions, LLC	IT/E-rate	126,055	No
The Mecca Group	SPED services	117,073	No
G. Cefalu & Bro., Inc	NSLP	96,397	No
DC Public Charter School Board	Admin Fees	90,799	No
AM Trust North America	Benefits/Insurance	76,551	No
Windstream	IT/E-rate	57,624	No
Clarence Bell-Aston	School consultant	56,814	No
Barnes & Thornburg LLP	Lawyer	55,842	No
Insight Public Sector, Inc	IT supplies	52,307	No
Pathways Education Consultancy	Education Consultant	51,773	No
Lakeshore Learning Materials	Supplies	48,351	No
Bobby Caballero	Reimbursement	44,065	No
CAPX Solutions	Copier Services	37,985	No
SB & Company	Auditing	36,300	No
The Masimini Group LLC	Professional Development	35,000	No
Living and Growing LLC	SPED services	34,384	No
Charlot-Swilley & Associates, P.C.	SPED services	30,305	No
BlueStar Technologies, Inc	IT/E-rate	30,114	No
Airlie Conference Center	PD conference room rental	28,487	No
Direct Energy Business	Utilities	26,597	No
Office Depot	Office Supplies	25,870	No



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**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***

The Board of Trustees
Elsie Whitlow Stokes Community Freedom
Public Charter School

Report on the Financial Statements

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 Elsie Whitlow Stokes Community Freedom Public Charter School (the School), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free of 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 School’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.
November 22, 2019



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

The Board of Trustees
Elsie Whitlow Stokes Community Freedom
Public Charter School

Report on Compliance for Each Major Federal Program

We have audited Elsie Whitlow Stokes Community Freedom Public Charter School (the School) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the School's major Federal program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, statutes and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major Federal programs based on our audit of the types of compliance requirements referred to above.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended June 30, 2019.



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Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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 the School's internal control over compliance.

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

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

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

Washington, D.C.
November 22, 2019

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Federal Agency Pass-Through Entity Federal Program/State Project	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipient
U.S. Department of Agriculture (USDA)				
National School Lunch Program	10.555	10014	\$ 142,624	\$ -
Child and Adult Care Food Program	10.558	Unknown	<u>123,044</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>265,668</u>	<u>-</u>
U.S Department of Education (ED)				
Pass-Through DC Public Schools				
Title I, Part A				
Title I Grants to Local Educational Agencies	84.010A	92010A	176,464	-
Title I Grants to Local Educational Agencies	84.010A	82010A	<u>6,935</u>	<u>-</u>
Total Title I, Part A			<u>183,399</u>	<u>-</u>
Special Education Cluster				
Special Education - Grants to Local Education Agencies	84.027A	42027A	65,077	-
Special Education - Preschool Grants	84.173A	42173A	<u>1,410</u>	<u>-</u>
Total Special Education Cluster			<u>66,487</u>	<u>-</u>
Title V, Part B - Charter School Program	84.282A	VB.282A	300,000	-
Scholarships for Opportunity and Results (SOAR) Cluster				
SOAR Act-IAQ and EC Combined	84.370C	Unknown	5,841	-
SOAR Act-IAQ and EC Combined	84.370C	Unknown	<u>88,545</u>	<u>-</u>
Total SOAR Cluster			<u>94,386</u>	<u>-</u>
Total U.S. Department of Education			<u>644,272</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 909,940</u>	<u>\$ -</u>

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Elsie Whitlow Stokes Community Freedom Public Charter School (the School) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant program noted below. The program on the schedule of expenditures of Federal awards represents all Federal award programs with fiscal year 2019, cash or non-cash expenditure activities. For single audit testing, we tested to ensure coverage of at least 40% of Federally granted funds. Actual coverage is 33%. The major programs tested are listed below.

Expenditures reported on the schedule of expenditures of Federal awards (the Schedule) are reported on the cost principles contained in the Single Audit, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Title V, Part B - Charter School Program	84.282A	<u>\$ 300,000</u>

2. Basis of Presentation

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

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section I – Summary of Independent Public Accountants’ Results

Financial Statements

Type of independent public accountants’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of independent public accountants’ report issued on compliance for major programs Unmodified

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of Major Program:

Dollar threshold used to determine Type A and B programs \$ 750,000

Is the School qualified as a low risk auditee? Yes

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section II –Financial Statement Findings

None noted.

Section III –Federal Award Findings

None noted.

ELSIE WHITLOW STOKES COMMUNITY FREEDOM PUBLIC CHARTER SCHOOL

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2019**

There was no single audit performed for the year ended June 30, 2018, as Federal expenditures were less than \$750,000.