

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities, Year Ended June 30, 2020	4
Statement of Activities, Year Ended June 30, 2019	5
Statement of Functional Expenses, Year Ended June 30, 2020	6
Statement of Functional Expenses, Year Ended June 30, 2019	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 – 17
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 <i>Government Auditing Standards</i>	18 – 19
SUPPLEMENTAL SCHEDULES REQUIRED BY DCPCSB	
Supplemental Schedule of Vendors paid over \$25,000, Year Ended June 30, 2020	20
Supplemental Schedule of Vendor Contracts Awarded for over \$25,000, Year Ended June 30, 2020	21



Independent Auditor's Report

The Board of Trustees
Integrated Design & Electronics Academy
Public Charter School
Washington, DC

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Integrated Design & Electronics Academy Public Charter School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules are required by D.C. Public Charter School Board ("DCPCSB"), are the responsibility of management, are presented for the purpose of additional analysis and are 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 November 24, 2020, on our consideration of Integrated Design & Electronics Academy Public Charter School'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 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 Integrated Design & Electronics Academy Public Charter School's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2020, IDEA Public Charter School adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Jane Harless & M. Quade PA

Washington, DC
November 24, 2020

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,664,867	\$ 1,382,338
Grants receivable	346,169	435,565
Accounts receivable	65,079	21,927
Prepaid expenses	36,463	29,797
Total Current Assets	3,112,578	1,869,627
PROPERTY AND EQUIPMENT, NET	12,508,936	12,853,124
TOTAL ASSETS	\$ 15,621,514	\$ 14,722,751
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 299,968	\$ 294,922
Accrued payroll liabilities	300,699	236,608
Accrued interest	25,243	26,053
Deferred revenue	33,955	-
Deposits payable	20,100	20,100
Capital lease liability, current portion	8,407	8,407
Loan payable, current portion	232,519	224,536
Total Current Liabilities	920,891	810,626
LONG TERM LIABILITIES		
Capital lease liability, non-current portion	8,012	15,396
Loan payable, non-current portion	7,690,432	6,930,116
Total Long Term Liabilities	7,698,444	6,945,512
Total Liabilities	8,619,335	7,756,138
NET ASSETS		
Without donor restrictions	6,921,898	6,941,051
With donor restrictions	80,281	25,562
Total Net Assets	7,002,179	6,966,613
TOTAL LIABILITIES AND NET ASSETS	\$ 15,621,514	\$ 14,722,751

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 6,481,971	\$ -	\$ 6,481,971
Per pupil facility allowance	963,815	-	963,815
Federal entitlements and other grants	668,755	-	668,755
Contributions	6,794	85,679	92,473
Activity fees	10,731	-	10,731
Interest income	20,450	-	20,450
Other income	273,341	-	273,341
In-kind services	712	-	712
Loss on disposal of property and equipment	(1,115)	-	(1,115)
Net assets released from restrictions	30,960	(30,960)	-
Total Revenue and Support	<u>8,456,414</u>	<u>54,719</u>	<u>8,511,133</u>
EXPENSES			
Educational programs	6,706,690	-	6,706,690
General and administrative	1,758,480	-	1,758,480
Fundraising	10,397	-	10,397
Total Expenses	<u>8,475,567</u>	<u>-</u>	<u>8,475,567</u>
CHANGE IN NET ASSETS	(19,153)	54,719	35,566
NET ASSETS, beginning of year	<u>6,941,051</u>	<u>25,562</u>	<u>6,966,613</u>
NET ASSETS, end of year	<u>\$ 6,921,898</u>	<u>\$ 80,281</u>	<u>\$ 7,002,179</u>

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	TOTAL
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 6,694,282	\$ -	\$ 6,694,282
Per pupil facility allowance	1,063,738	-	1,063,738
Federal entitlements and other grants	744,509	-	744,509
Contributions	43,241	20,291	63,532
Donated furnitures	50,279	-	50,279
Activity fees	35,512	-	35,512
Interest income	25,547	-	25,547
Other income	293,883	-	293,883
Net assets released from restrictions	4,127	(4,127)	-
Total Revenue and Support	<u>8,955,118</u>	<u>16,164</u>	<u>8,971,282</u>
EXPENSES			
Educational programs	6,828,338	-	6,828,338
General and administrative	1,741,866	-	1,741,866
Fundraising	10,697	-	10,697
Total Expenses	<u>8,580,901</u>	<u>-</u>	<u>8,580,901</u>
CHANGE IN NET ASSETS	374,217	16,164	390,381
NET ASSETS, beginning of year	<u>6,566,834</u>	<u>9,398</u>	<u>6,576,232</u>
NET ASSETS, end of year	<u>\$ 6,941,051</u>	<u>\$ 25,562</u>	<u>\$ 6,966,613</u>

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Educational Programs	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 3,643,209	\$ 896,934	\$ 8,000	\$ 4,548,143
Employee benefits	389,540	95,902	855	486,297
Payroll taxes	337,810	83,167	742	421,719
Professional development	254,515	62,519	-	317,034
Recruitment	3,916	962	-	4,878
Total Personnel Expenses	<u>4,628,990</u>	<u>1,139,484</u>	<u>9,597</u>	<u>5,778,071</u>
Direct Student Costs				
Supplies and material	92,042	-	-	92,042
Contracted instruction fees	408,924	-	-	408,924
Food service	72,586	-	-	72,586
Textbooks	27,627	-	-	27,627
Student assessment fees	24,397	-	-	24,397
Other	241,580	-	-	241,580
Total Direct Student Costs	<u>867,156</u>	<u>-</u>	<u>-</u>	<u>867,156</u>
Occupancy Expense				
Maintenance and repairs	49,273	12,130	108	61,511
Contracted building services	307,926	80,707	692	389,325
Total Occupancy Expense	<u>357,199</u>	<u>92,837</u>	<u>800</u>	<u>450,836</u>
Office Expense				
Telephone	24,265	5,960	-	30,225
Supplies	35,159	8,790	-	43,949
Equipment rental	9,147	2,287	-	11,434
Printing	3,067	753	-	3,820
Postage and delivery	5,985	1,470	-	7,455
Total Office Expense	<u>77,623</u>	<u>19,260</u>	<u>-</u>	<u>96,883</u>
General Expense				
Depreciation and amortization	368,016	90,399	-	458,415
Authorizer fees	-	77,941	-	77,941
Office supplies	15,431	6,227	-	21,658
Insurance	-	41,408	-	41,408
Professional fees	347,131	85,269	-	432,400
Interest	45,144	205,655	-	250,799
Total General Expense	<u>775,722</u>	<u>506,899</u>	<u>-</u>	<u>1,282,621</u>
Total Expenses	<u>\$ 6,706,690</u>	<u>\$ 1,758,480</u>	<u>\$ 10,397</u>	<u>\$ 8,475,567</u>

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Educational Programs	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 3,755,567	\$ 878,129	\$ 8,350	\$ 4,642,046
Employee benefits	305,757	72,807	692	379,256
Payroll taxes	340,741	79,672	758	421,171
Professional development	222,046	51,815	-	273,861
Recruitment	17,558	4,097	-	21,655
Total Personnel Expenses	<u>4,641,669</u>	<u>1,086,520</u>	<u>9,800</u>	<u>5,737,989</u>
Direct Student Costs				
Supplies and material	98,657	-	-	98,657
Contracted instruction fees	276,043	-	-	276,043
Food service	90,185	-	-	90,185
Textbooks	2,797	-	-	2,797
Student assessment fees	72,098	-	-	72,098
Other	277,506	-	-	277,506
Total Direct Student Costs	<u>817,286</u>	<u>-</u>	<u>-</u>	<u>817,286</u>
Occupancy Expense				
Maintenance and repairs	47,319	11,066	105	58,490
Contracted building services	355,640	92,617	792	449,049
Total Occupancy Expense	<u>402,959</u>	<u>103,683</u>	<u>897</u>	<u>507,539</u>
Office Expense				
Telephone	15,450	3,605	-	19,055
Supplies	38,676	9,669	-	48,345
Equipment rental	8,200	2,050	-	10,250
Printing	1,549	362	-	1,911
Postage and delivery	10,926	2,550	-	13,476
Total Office Expense	<u>74,801</u>	<u>18,236</u>	<u>-</u>	<u>93,037</u>
General Expense				
Depreciation and amortization	369,939	86,325	-	456,264
Authorizer fees	-	73,282	-	73,282
Office supplies	34,754	10,598	-	45,352
Insurance	-	47,320	-	47,320
Professional fees	441,236	102,962	-	544,198
Interest	45,694	208,160	-	253,854
Bad debt	-	4,780	-	4,780
Total General Expense	<u>891,623</u>	<u>533,427</u>	<u>-</u>	<u>1,425,050</u>
Total Expenses	<u>\$ 6,828,338</u>	<u>\$ 1,741,866</u>	<u>\$ 10,697</u>	<u>\$ 8,580,901</u>

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 35,566	\$ 390,381
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	458,415	456,264
Amortization of debt issuance costs	14,137	14,138
Loss on disposal of property and equipment	1,115	-
(Increase) decrease in assets:		
Grants receivable	89,396	(259,522)
Accounts receivable	(43,152)	1,887
Prepaid expenses	(6,666)	(10,432)
Deposit	-	2,630
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,046	52,959
Accrued payroll liabilities	64,091	(71,449)
Accrued interest	(810)	(782)
Deferred revenue	33,955	-
Net Cash Provided by Operating Activities	651,093	576,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(115,342)	(263,871)
Net Cash Used for Investing Activities	(115,342)	(263,871)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(7,384)	(6,348)
Proceeds from PPP loan	978,697	-
Principle payments of loan	(224,535)	(221,670)
Net Cash Provided by (Used for) Financing Activities	746,778	(228,018)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,282,529	84,185
CASH AND CASH EQUIVALENTS, beginning of year	1,382,338	1,298,153
CASH AND CASH EQUIVALENTS, end of year	\$ 2,664,867	\$ 1,382,338
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 237,472	\$ 240,499
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Equipment acquired under capital lease	\$ -	\$ 15,470

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

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Integrated Design & Electronics Academy Public Charter School (the “School”) was incorporated as a non-stock and not-for-profit organization in 1998 under the laws of the District of Columbia. The School serves students in grade 9-12, based on the JROTC Career Academy model that is career focused and integrates academic and occupational curriculums, increase student career options, and provides a meaningful learning context for both potential dropouts and college-bound youth.

On July 1, 1998, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board in Washington, DC. The charter was renewed in March 2015 and shall continue for a term of 15 years unless renewed, revoked, or terminated by the DC Board of Education for violation of applicable laws, conditions, terms, and procedures set forth in the charter. The School’s current charter provides for enrollment of up to 600 students in ninth through twelfth grade.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2020, the School adopted the FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all Generally Accepted Accounting Principles (“GAAP”) revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The School has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The School has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the School’s implementation of ASU 2018-08.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time or must be maintained by the School permanently. When a restriction expires, with donor restrictions net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions as of June 30, 2020 and 2019, totaled \$80,281 and \$25,562, respectively, and were restricted for scholarships, Boys Scout and the garden club programs.

Use of Estimates

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

Cash and Cash Equivalents

The School considers all cash in banks and short-term investments with original maturities of less than 90 days to be cash and cash equivalents. Cash equivalents consist of money market funds.

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed or accrued and represents claims against third parties that will be settled in cash. Accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Grants and Accounts Receivable (continued)

If actual experience changes, revisions to the allowance may be necessary. Past due accounts receivables are written off when internal collection efforts have been unsuccessful in collecting the amount due. Grants receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment having a cost of greater than \$1,000 and a useful life of greater than one year are stated at cost, or if donated, at fair value. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. The cost of property and equipment is depreciated over their estimated useful lives, ranging from two to seven years and for the building fifty years. The depreciation and amortization is computed using the straight-line method.

Debt Issuance Costs

Costs incurred for the issuance of debt have been capitalized and are reported in the statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense over the remaining period of the debt using the straight-line method, which approximates the effective interest method.

Revenue Recognition

Grants and Contributions

The School recognize grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition (continued)

Per Pupil Appropriations, Facilities Allowance, and Federal Entitlements, and Other Government Grants

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education, District of Columbia Public Charter School Board, the U.S. Department of Education, and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Per pupil appropriation revenue includes \$2,371,230 and \$2,164,342 for the years ended June 30, 2020 and 2019, respectively, for enhancements, such as special education, English language learners, and at risk students.

As of June 30, 2020, the School received a conditional promise to give in the amount of \$126,573 that is expected to be fulfilled within the year following the School's 2020 fiscal year-end.

Program Service Fees

Program service fees are revenue primarily derived from before and after-care programs, paid meal plans, and various student activities (e.g., fieldtrips, intramural sports, special events, etc.), which is recognized when the services are provided.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, their expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office, and occupancy, which are allocated on the basis of salaries and related costs determined by the estimated time expended.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE C – INCOME TAXES

The School is a 501(c)(3) tax-exempt organization under Section 501(a) of the Internal Revenue Code. The School is, however, subject to tax on business income unrelated to its exempt purpose. The School files information returns as required.

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School’s information returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Form 990 information returns for the years ending June 30, 2017 through 2019 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. Sources of liquidity available to the School include financial assets consisting of cash and cash equivalent and current receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the School anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

	2020	2019
Cash and Cash Equivalents	\$ 2,664,867	\$ 1,382,338
Current Receivables	411,248	457,492
Total Financial Assets	3,076,115	1,839,830
Less: net assets with donor restrictions	(80,281)	(25,562)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 2,995,834	\$ 1,814,268

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)**

NOTE E - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	2020	2019
Computers and materials	\$ 312,358	\$ 296,419
Classroom furniture	234,578	215,198
Buildings and building improvements	15,927,424	15,868,603
Construction in progress	9,880	4,698
Land	150,000	150,000
Leased equipment	37,124	37,124
	16,671,364	16,572,042
Less: accumulated depreciation and amortization	(4,162,428)	(3,718,918)
Property and Equipment, Net	\$ 12,508,936	\$ 12,853,124

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 totaled \$458,415 and \$456,264, respectively.

The School has multiple equipment leases that are classified as capital leases and included in property and equipment. The accumulated amortization as of June 30, 2020 and 2019 totaled \$20,108 and \$12,683 and amortization expense totaled \$7,425 and \$5,105, respectively.

NOTE F – CAPITAL LEASE

The School leases certain equipment. The equipment leases were signed in fiscal years 2017 and 2019 and expire in fiscal years 2022 and 2024. The following are the future minimum lease payments for the equipment lease for the years ending June 30:

2021	\$ 8,407
2022	4,729
2023	3,503
2024	876
	17,515
Less: Interest payments	(1,096)
Total Future Minimum Lease Payment	\$ 16,419

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)**

NOTE G - LOAN PAYABLE

In June 2016, the District of Columbia issued \$7,000,000, of tax-exempt revenue Series 2016 bonds purchased by Eagle Bank (the “Bank”) secured by the land, building, and improvements of the property at 1027 45th Street NE, Washington, DC, the proceeds of which were loaned to the School. The loan has a floating interest rate fixed every five years equal to the lessor of five-year LIBOR plus 3.4 percent times one less the Bank’s tax rate or 2.95% for the five years ended June 30, 2021. The loan has a term of 25 years, with an initial interest-only period of 18 months. Since January 2018, monthly principal, and interest payments of approximately \$33,164 are due on the loan until the loan matures on June 1, 2046.

The loan has certain financial covenants that require annual financial statement to be submitted within 150 days after year end, quarterly interim financial statements to be provide within 45 days of each 3-month time period and maintenance of a minimum debt service coverage ratio of 1.25 to 1. The School met the minimum debt service coverage ratio with a ratio of 1.64 and 2.39 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the balance on this loan totaled \$6,537,819 and \$6,735,851, respectively.

In July 2017, the School entered into an agreement to participate in the Energy Efficiency Loan Program for the procurement and installation of certain energy saving equipment under the District of Columbia’s Energy efficiency Loan Program. Under this agreement the Bank, in its capacity as the Capital Provider, loaned the School \$787,500 that would be repaid through a voluntary special assessment on the School’s property located at 1027 45th Street, NE, Washington, DC. The annual special assessment would be \$64,994 paid in two installments of \$32,497 semi-annually initially and would be subject to further adjustment. As of June 30, 2020 and 2019, the balance on this loan totaled \$696,694 and \$723,197, respectively.

Upon entering into the above loan agreement, the School incurred deferred financing costs. These and prior deferred financing costs are being amortized over the remaining life of the debt using the straight-line method which approximates the effective interest method.

Debt issuance costs and accumulated amortization are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Debt issuance costs	\$ 347,836	\$ 347,836
Less: accumulated amortization	<u>(57,577)</u>	<u>(43,440)</u>
Debt Issuance Costs, Net	<u>\$ 290,259</u>	<u>\$ 304,396</u>

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)**

NOTE G - LOAN PAYABLE – continued

On April 27, 2020, the School secured \$978,697 with the EagleBank, (the “Lender”) under the Small Business Administration’s Paycheck Protection Plan (“PPP”) that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan is made. If not used for the purpose above, the loan is due on April 27, 2022 along with interest calculated at the rate of 1% per annum starting November 27, 2020. The PPP loan balance for the year ended June 30, 2020, totaled \$978,697.

Long-term debt as of June 30, consisted of the following:

	2020	2019
Eagle bank loan	\$ 6,537,819	\$ 6,735,851
PACE loan program	696,694	723,197
Payroll protection program	978,697	-
Total	8,213,210	7,459,048
Less: current portion	(232,519)	(224,536)
Less: debt issuance costs, net of accumulated amortization	(290,259)	(304,396)
	\$ 7,690,432	\$ 6,930,116

Interest of \$250,799 and \$253,854 included amortization of debt issuance costs of \$14,137 and \$14,138 and was expensed for the years ended June 30, 2020 and 2019, respectively.

Aggregate annual maturities of the debt are as follows for the years ended June 30:

2021	\$ 232,519
2022	1,218,823
2023	247,993
2024	255,570
2025	264,524
Thereafter	5,993,781
	\$ 8,213,210

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(continued)**

NOTE H – PENSION PLAN

The School has a 403(b) defined contributions retirement plan (the “Plan”). All eligible employees who are at least 21 years of age and meet 1,000 hours of service per year are eligible to participate in the Plan after the completion of one year of service. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School contributes 2% of employee’s annual salary for those who do not contribute to the plan and 3% of each eligible employee’s annual salary for employees who contribute to the Plan. For the years ended June 30, 2020 and 2019, pension expense totaled \$125,524 and \$77,295, respectively.

NOTE I - COMMITMENTS AND CONTINGENT LIABILITIES

The School receives revenues from government grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the government. The School is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the financial statements.

NOTE J - CONCENTRATIONS OF RISK

The School places its cash with financial institutions which at times, may exceed the Federal Deposit Insurance Corporation’s insurance limit of \$250,000. The School believes it is not exposed to any significant credit risk on cash or cash equivalents.

The School is supported primarily through local and federal appropriations and grants. For each of the years ended June 30, 2020 and 2019, 95% of total revenue was provided from one local government agency. Reduction of this source of support would have a significant impact on the School’s programs and activities.

NOTE K - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the School’s management has evaluated events and transactions through November 24, 2020 the date the School’s financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required additional disclosure or recognition.



**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***

Board of Trustees
Integrated Design & Electronics Academy
Public Charter School
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Integrated Design & Electronics Academy Public Charter School (the "School"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) 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 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 over financial reporting 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 financial reporting 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.

To the Board of Trustees
Integrated Design & Electronics Academy
Public Charter School

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Jane Murray & M^oQuade PA

Washington, DC
November 24, 2020

SUPPLEMENTAL SCHEDULES REQUIRED BY DCPCSB

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
YEAR ENDED JUNE 30, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
Advanced Building Services	Facilities service calls and maintenance	\$ 25,875
Amazon	School/office supplies	26,595
Benefit Strategies	FSA benefits provider	86,365
Berkshire Hathaway Homestate	Workers compensation insurance	43,681
D.C. Public Charter School Board	Authorizer fee	77,704
DC Water and Sewer Authority	Utilities	38,793
Deadwyler Transportation LLC	Transportation	53,413
Eagle Bank	Loan payments	165,722
EdOps	Data and accounting services	220,209
Educational Solutions, LLC	Special education contracted instruction	41,080
Enriched Schools	Substitute staff services	142,923
Extraordinary Educational Services LLC	Special education contracted instruction	79,511
Group Benefit Services, Inc.	Health insurance	376,147
Houghton Mifflin	Learning platform	30,424
MIC Wright Specialty	Business and property insurance	41,408
Navy Federal Credit Union	Summer Youth Employment Programs	36,600
New Leaders Inc.	Professional development	63,000
Office of Tax and Revenue	PACE Loan payment	39,219
Paradigm Therapy Partners, LLC	Special education contracted instruction	45,435
Paycom Payroll Services	Payroll provider	26,589
PEPCO	Utilities	215,260
Performance Food Service	Food services	46,000
Rosso Writing	Communications consulting	27,250
Securemedy	Security services	60,191
T.A.G. Inc	Electives/contracted staff	76,035
The Marcus Firm, PLLC	Legal services	50,017
Urban Teacher Center	Teacher fellows/contracted staff	91,500

Note: The above schedule includes all vendors/contractors paid equal to or greater than \$25,000 for which either a formal contract was executed or no formal contract was entered into, executed or negotiated.

**INTEGRATED DESIGN & ELECTRONICS ACADEMY
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000
YEAR ENDED JUNE 30, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approximate</u>
NONE		

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2020 for services that will be equal to or more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2020.