

PAUL PUBLIC CHARTER SCHOOL, INC.

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

JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses, Year Ended June 30, 2019	6
Statement of Functional Expenses, Year Ended June 30, 2018	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 21
REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE	
Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	24 - 25
Schedule of Expenditures of Federal Awards	26
Notes to the Schedule of Expenditures of Federal Awards	27
Schedule of Findings and Questioned Costs	28 - 29
SUPPLEMENTAL SCHEDULE	
Supplemental Schedule of Vendors paid over \$25,000, Year Ended June 30, 2019	30
Supplemental Schedule of Vendors Contracts Awarded over \$25,000, Year Ended June 30, 2019	31



Independent Auditor's Report

The Board of Trustees
Paul Public Charter School, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Paul Public Charter School, Inc., a nonprofit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, 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 Paul Public Charter School, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 30-31, as required by D.C. Public Charter School Board ("DCPCSB"), are the responsibility of management, and 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 25, 2019 on our consideration of Paul Public Charter School, Inc.'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 Paul Public Charter School, Inc.'s internal control over financial reporting and compliance.

Janice Maruca & McQuade PA

Washington, DC
November 25, 2019

PAUL PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,559,822	\$ 2,141,299
Cash and cash equivalents restricted by debt agreements	558,008	541,636
Grants and accounts receivable	243,016	582,618
Prepaid expenses	164,162	31,223
Deferred rental asset, current portion	52,792	52,792
Total Current Assets	2,577,800	3,349,568
PROPERTY AND EQUIPMENT, NET	20,611,351	21,287,745
OTHER ASSETS		
Investments	2,778,153	2,578,780
Deposits	6,550	-
Deferred rental asset, net	950,257	1,003,049
Total Other Assets	3,734,960	3,581,829
TOTAL ASSETS	\$ 26,924,111	\$ 28,219,142
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 420,227	\$ 460,140
Payroll and related liabilities	774,114	888,274
Capital lease payable, current portion	13,274	12,867
Long-term debt, current portion	358,602	346,462
Total Current Liabilities	1,566,217	1,707,743
LONG-TERM LIABILITIES		
Capital lease payable, net	13,482	26,956
Long-term debt, net	17,492,229	17,837,614
Total Long-Term Liabilities	17,505,711	17,864,570
TOTAL LIABILITIES	19,071,928	19,572,313
NET ASSETS		
Without donor restrictions	7,852,183	8,645,829
With donor restrictions	-	1,000
Total Net Assets	7,852,183	8,646,829
TOTAL LIABILITIES AND NET ASSETS	\$ 26,924,111	\$ 28,219,142

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

PAUL PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Per pupil appropriations	\$ 13,273,904	\$ -	\$ 13,273,904	\$ 12,378,190	\$ -	\$ 12,378,190
Per pupil facility allowance	2,375,464	-	2,375,464	2,260,451	-	2,260,451
Federal entitlements and grants	838,225	-	838,225	866,060	-	866,060
Food services	5,560	-	5,560	13,366	-	13,366
Other grants and contributions	82,627	-	82,627	209,245	-	209,245
In-kind contributions	-	-	-	400	-	400
Student activity fees	379,857	-	379,857	83,695	-	83,695
Net appreciation in fair value of investments	199,373	-	199,373	136,813	-	136,813
Rental income	18,139	-	18,139	38,227	-	38,227
Interest income	-	-	-	28	-	28
Net assets released from restrictions	1,000	(1,000)	-	-	-	-
Total Revenue and Support	<u>17,174,149</u>	<u>(1,000)</u>	<u>17,173,149</u>	<u>15,986,475</u>	<u>-</u>	<u>15,986,475</u>
EXPENSES						
Educational programs	15,901,498	-	15,901,498	13,764,582	-	13,764,582
General and administrative	1,945,434	-	1,945,434	2,383,201	-	2,383,201
Fundraising	120,863	-	120,863	222,364	-	222,364
Total Expenses	<u>17,967,795</u>	<u>-</u>	<u>17,967,795</u>	<u>16,370,147</u>	<u>-</u>	<u>16,370,147</u>
CHANGE IN NET ASSETS	(793,646)	(1,000)	(794,646)	(383,672)	-	(383,672)
NET ASSETS , beginning of year	<u>8,645,829</u>	<u>1,000</u>	<u>8,646,829</u>	<u>9,029,501</u>	<u>1,000</u>	<u>9,030,501</u>
NET ASSETS , end of year	<u>\$ 7,852,183</u>	<u>\$ -</u>	<u>\$ 7,852,183</u>	<u>\$ 8,645,829</u>	<u>\$ 1,000</u>	<u>\$ 8,646,829</u>

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

PAUL PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Educational Programs	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 8,233,715	\$ 1,053,370	\$ 74,036	\$ 9,361,121
Employee benefits	1,272,348	59,226	4,163	1,335,737
Payroll taxes	653,801	78,042	5,485	737,328
Professional development	159,764	15,616	1,098	176,478
Staff travel	83,500	10,682	751	94,933
Total Personnel Expenses	<u>10,403,128</u>	<u>1,216,936</u>	<u>85,533</u>	<u>11,705,597</u>
Direct Student Costs				
Supplies and materials	144,867	-	-	144,867
Transportation	184,291	-	-	184,291
Contracted instruction fees	885,023	-	-	885,023
Textbooks	90,360	-	-	90,360
Student assessments	28,263	-	-	28,263
Other student costs	514,955	-	-	514,955
Total Direct Student Costs	<u>1,847,759</u>	<u>-</u>	<u>-</u>	<u>1,847,759</u>
Occupancy Expenses				
Rent	110,009	14,074	989	125,072
Maintenance and repairs	199,643	25,541	1,794	226,978
Utilities	271,756	34,766	2,444	308,966
Contracted building services	256,096	32,763	2,303	291,162
Total Occupancy Expenses	<u>837,504</u>	<u>107,144</u>	<u>7,530</u>	<u>952,178</u>
Office Expenses				
Office supplies and materials	128,334	16,419	1,154	145,907
Equipment rental	50,479	6,457	454	57,390
Telecommunications	48,284	6,177	434	54,895
Professional fees	438,130	56,051	3,940	498,121
Postage and shipping	22,123	2,830	199	25,152
Marketing and recruitment	666	87	2,509	3,262
Computer and related	28,642	3,663	258	32,563
Total Office Expenses	<u>716,658</u>	<u>91,684</u>	<u>8,948</u>	<u>817,290</u>
General Expenses				
Insurance	85,208	10,901	766	96,875
Interest	660,568	144,481	5,940	810,989
Authorizer fee	-	151,493	-	151,493
Depreciation and amortization	1,292,842	165,397	11,625	1,469,864
Fees and licenses	51,450	6,582	463	58,495
Travel and meetings	6,309	807	57	7,173
Other general expense	72	50,009	1	50,082
Total General Expenses	<u>2,096,449</u>	<u>529,670</u>	<u>18,852</u>	<u>2,644,971</u>
TOTAL EXPENSES	<u>\$ 15,901,498</u>	<u>\$ 1,945,434</u>	<u>\$ 120,863</u>	<u>\$ 17,967,795</u>

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

PAUL PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Educational Programs	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 6,791,182	\$ 1,161,026	\$ 96,151	\$ 8,048,359
Employee benefits	1,014,214	18,104	5,634	1,037,952
Payroll taxes	549,961	83,010	7,094	640,065
Professional development	230,548	30,015	2,453	263,016
Staff travel	125,358	23,433	1,775	150,566
Total Personnel Expenses	8,711,263	1,315,588	113,107	10,139,958
Direct Student Costs				
Supplies and materials	154,225	-	-	154,225
Transportation	173,692	-	-	173,692
Contracted instruction fees	609,382	-	-	609,382
Textbooks	37,608	-	-	37,608
Food service	406,586	-	-	406,586
Student assessments	62,613	-	-	62,613
Other student costs	320,388	-	-	320,388
Total Direct Student Costs	1,764,494	-	-	1,764,494
Occupancy Expenses				
Rent	99,726	18,451	3,110	121,287
Maintenance and repairs	77,032	149,717	2,403	229,152
Utilities	243,590	86,234	7,597	337,421
Contracted building services	306,348	37,779	9,555	353,682
Total Occupancy Expenses	726,696	292,181	22,665	1,041,542
Office Expenses				
Office supplies and materials	120,501	75,081	1,706	197,288
Telecommunications	68,993	9,837	2,152	80,982
Professional fees	430,832	92,341	13,437	536,610
Postage and shipping	14,517	4,056	206	18,779
Marketing and recruitment	1,009	165	3,428	4,602
Computer and related	56,570	8,429	1,764	66,763
Total Office Expenses	692,422	189,909	22,693	905,024
General Expenses				
Insurance	75,621	16,838	2,359	94,818
Interest	584,962	89,553	21,869	696,384
Authorizer fee	-	138,665	-	138,665
Depreciation and amortization	1,174,347	165,158	36,627	1,376,132
Fees and licenses	34,777	165,303	2,644	202,724
Travel and meetings	-	10,006	-	10,006
Other general expense	-	-	400	400
Total General Expenses	1,869,707	585,523	63,899	2,519,129
TOTAL EXPENSES	\$ 13,764,582	\$ 2,383,201	\$ 222,364	\$ 16,370,147

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

PAUL PUBLIC CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (794,646)	\$ (383,672)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,469,864	1,376,132
Amortization of debt issuance costs	13,217	13,216
Net appreciation in fair value of investments	(199,373)	(136,813)
(Increase) decrease in assets		
Cash and cash equivalents restricted by debt agreements	(16,372)	2,324
Grants and accounts receivable	339,602	(115,876)
Prepaid expenses	(132,939)	6,409
Deposits	(6,550)	-
Deferred rental asset	52,792	52,792
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	(39,913)	128,228
Payroll and related liabilities	(114,160)	(474,058)
Deferred revenue	-	(31,110)
Net Cash Provided by Operating Activities	571,522	437,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(793,470)	(601,226)
Net Cash Used for Investing Activities	(793,470)	(601,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(346,462)	-
Principal payments on capital lease	(13,067)	(12,868)
Net Cash Used for Financing Activities	(359,529)	(12,868)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(581,477)	(176,522)
CASH AND CASH EQUIVALENTS, beginning of year	2,141,299	2,317,821
CASH AND CASH EQUIVALENTS, end of year	\$ 1,559,822	\$ 2,141,299
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 797,773	683,168

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

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A – ORGANIZATION AND PURPOSE

Paul Public Charter School, Inc. (the “School”) was incorporated as a non-stock and not-for-profit organization on July 1, 2000 under the laws of the District of Columbia. The School is an urban public charter school primarily serving minority students from the local neighborhood in sixth through twelfth grade. It is intended to be a twenty-first century learning center and a center in its community where all students experience a demanding academic program. The School is organized around the premise that society has changed dramatically during the past quarter-century and that public schools must change in order to meet new needs.

The School is designed to serve children and adults as integral members of the community; hence, the School is designed to be far more than a traditional service provider. The goal of the School is to provide intellectually challenging experiences required to develop independent, productive, and responsible individuals, who will learn to love learning, will be taught to think critically, and who will demonstrate that they understand the importance of taking active roles in community life. On May 25, 2000 the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board. On July 1, 2015, that agreement was renewed for an additional 15 years. The School’s primary sources of support are local appropriations for Charter Schools from the District of Columbia Government, federal entitlements and grants from private foundations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements are 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, 2019, the School adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented.

A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(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”) Financial Statements of Not-For-Profit organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

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

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of fewer than three months and money market funds to be cash equivalents.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements is comprised of cash and cash equivalents held by a trustee to fund a portion of debt service related to the Series 2017 Bonds (see Note G).

Grants and Accounts Receivable

The School’s grants receivable consist of unsecured amounts due from public funding sources whose ability to pay is subject to appropriations. Accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. Management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been established.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments are stated at fair value. Dividends are recorded on the ex-dividend date. Interest is recognized when earned. Purchases and sales of investments are reflected on a trade-date basis. Net appreciation (depreciation) in fair value of investments is recognized in the statements of activities in the period in which the changes occur.

Property and Equipment

Property and equipment are stated at cost, or at fair market value if donated. Expenditures for maintenance and repairs which do not improve or extend the life of the respective asset and are less than \$1,000 are charged to expense when incurred. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 39 years. Leasehold improvements are amortized over the lesser of their useful life or the lease term.

Debt Issuance Costs

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

Federal Entitlements

Federal entitlement revenue is grants received primarily from the District of Columbia Government. The grants are subject to audit by the grantor agencies. Such audit could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Grants and Contribution Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period in which they are made. Grants are recognized as revenue in the period in which such promises or agreements are made, generally when the agreement has been received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions received with donor restrictions are recorded as revenue with donor restrictions based on the donor's intent. When a time restriction ends or a purpose restriction is

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Grants and Contribution Revenue (continued)

accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Per Pupil Appropriations

The School receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations includes \$4,169,372 and \$3,846,006 for the years ended June 30, 2019 and 2018, respectively for enhancements, such as special education, English language learners, and at-risk students.

Student Activity Fees

Student activity fees are funds received from students for school related activities such as fieldtrips, events, etc. Student activity fees are recognized at the time the event is held.

Donated Goods and Services

Donated goods and services are recorded at fair value at the date of donation. The School recognizes donated services that create or enhance non-financial assets or require specialized skills and are provided by individuals who possess those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2018, the School received \$400 in donated services from a human resources outsourcing firm. The School received no donated goods or services during the year ended June 30, 2019.

Use of Estimates

The preparation of financial statements in conformity 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.

Methods Used for Allocation of Expenses from Management and General Activities

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reclassifications

Certain amounts for the year ended June 30, 2018 have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

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 fiscal years 2016 through 2018 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. The School's sources of liquidity at its disposal include cash and cash equivalents, cash and cash equivalents restricted by debt agreements, grants and accounts receivable, and investments.

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:

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,559,822	\$ 2,141,299
Cash and cash equivalents restricted by debt agreements	558,008	541,636
Grants and accounts receivable	243,016	582,618
Investments	<u>2,778,153</u>	<u>2,578,780</u>
Total Financial Assets	5,138,999	5,844,333
Less: cash and cash equivalents restricted by debt agreements	<u>(558,008)</u>	<u>(541,636)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 4,580,991</u></u>	<u><u>\$ 5,302,697</u></u>

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value, as defined in the fair value measurement accounting guidance, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or exit price.

The guidance on fair value measurement accounting requires that the School make assumptions market participants would use in pricing an asset or liability based on the best information available. The School considers factors that were not previously measured when determining the fair value of financial instruments. These factors include nonperformance risk (the risk that the obligation will not be fulfilled) and credit risk, of the reporting entity (for liabilities) and of the counterparty (for assets). The fair value measurement guidance prohibits inclusion of transaction costs and any adjustments for blockage factors in determining the instruments' fair value.

The principal or most advantageous market should be considered from the perspective of the reporting entity.

Fair value, where available, is based on observable quoted market prices. Where observable prices or inputs are not available, several valuation models and techniques are applied. These models and techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The process involves varying levels of management judgment, the degree of which is dependent on the price transparency of the instruments or market and the instruments' complexity. Fair values of these investment funds are based on net asset value and provided by the fund investment managers.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS – continued

To increase consistency and enhance disclosure of the fair value of financial instruments, the fair value measurement accounting guidance established a fair value of inputs to the valuation in technique, into a three-level fair value hierarchy. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest

The three levels are defined as follows:

Level 1 – Observable inputs such as quoted prices in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect certain assumptions by management about the assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The School's investments include investment funds which are not traded on a national exchange or over-the-counter markets, and therefore quoted market prices are not readily available.

These investments are valued at net asset value per share that has been calculated in accordance with, and provided by, the investment company, which reports the underlying investments at fair value. Underlying investments contain, but are not limited to, marketable common stocks, other marketable equity-type investments, and marketable securities of intermediate and longer-term maturities.

The net assets value per share are calculated each business day and are accounted for on a trade date, fully accrued basis. Unit values for deposits and withdrawal are based on the net asset values per share determined as of the close of the last business day. These investment funds were deemed to use level 2 inputs based on the redemption terms of the funds. The investment funds may be redeemed on or within three months of the measurement date at the reported net asset value per share.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS – continued

The following table presents the School’s fair value hierarchy for investments measured on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Multi-Strategy Equity Funds	\$ -	\$ 1,315,018	\$ -	\$ 1,315,018
Fixed Income				
Multi-Strategy Bond Funds	-	1,197,259	-	1,197,259
Intermediate Term Funds	-	265,876	-	265,876
Total Fixed Income	-	1,463,135	-	1,463,135
Total Investments	<u>\$ -</u>	<u>\$ 2,778,153</u>	<u>\$ -</u>	<u>\$ 2,778,153</u>

The following table presents the School’s fair value hierarchy for investments measured on a recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity				
Multi-Strategy Equity Funds	\$ -	\$ 1,208,102	\$ -	\$ 1,208,102
Fixed Income				
Multi-Strategy Bond Funds	-	1,115,813	-	1,115,813
Intermediate Term Funds	-	254,865	-	254,865
Total Fixed Income	-	1,370,678	-	1,370,678
Total Investments	<u>\$ -</u>	<u>\$ 2,578,780</u>	<u>\$ -</u>	<u>\$ 2,578,780</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 2,978,190	\$ 2,823,393
Computer equipment and software	846,657	737,414
Leasehold improvements	25,225,103	24,695,673
	<u>29,049,950</u>	<u>28,256,480</u>
Less accumulated depreciation and amortization	<u>(8,438,599)</u>	<u>(6,968,735)</u>
Property and Equipment, Net	<u>\$ 20,611,351</u>	<u>\$ 21,287,745</u>

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE F – PROPERTY AND EQUIPMENT - continued

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled \$1,469,864 and \$1,376,132, respectively.

The cost of capital leased equipment totaled \$65,358. Depreciation expense attributed to capital leased assets for the years ended June 30, 2019 and 2018 totaled \$13,068 and \$12,687, respectively. Accumulated depreciation for capital leased assets as of June 30, 2019 and 2018 totaled \$37,737 and \$24,669, respectively.

NOTE G – LONG-TERM DEBT

Revenue Bonds

During June 2017, the District of Columbia issued \$19,900,000 maximum principal amount of Revenue Bonds (“Series 2017 Bonds”). The proceeds of the Series 2017 Bonds were loaned to the School on a draw basis to refinance certain indebtedness, and finance the construction, installation and equipping the School’s facility, including but not limited to, the refurbishment of the School’s athletic fields and additional lighting thereto, and the construction of exterior education space. In addition, the proceeds of the Series 2017 Bonds were used to fund a debt service reserve fund and pay allowable debt issuance costs.

The Series 2017 Bonds are collateralized by a first leasehold deed of trust on the real property and improvements and all assets and revenue of the School. During June 2017, the District of Columbia’s Office of Public Charter School Financing and Support entered into a guaranty agreement to provide a credit enhancement of up to \$1,000,000 as additional security for the Series 2017 Bonds.

The Series 2017 Bonds are scheduled to mature July 1, 2047 and are paid over a 30-year amortization schedule. Interest accrues at a fixed rate of 3.95% per annum as of June 30, 2017 and is effective through June 30, 2027. Interest is adjusted at each subsequent ten-year period and is to be determined by the greater of the ten-year ICE Swap Rate in effect plus 3.75%, times one minus the corporate income tax rate; or 3.95% per annum. Interest payments are due monthly until maturity. Principal payments are due monthly commencing July 1, 2018.

The aforementioned loan agreements contain certain restricted, financial, and nonfinancial covenants. In the opinion of management, the School has complied with the required covenants.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE G – LONG-TERM DEBT – continued

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

	<u>2019</u>	<u>2018</u>
Senior secured note, 3.95%, due through 2047	\$ 18,219,789	\$ 18,566,251
Less: current portion	(358,602)	(346,462)
Less: debt issuance costs, net	<u>(368,958)</u>	<u>(382,175)</u>
	<u>\$ 17,492,229</u>	<u>\$ 17,837,614</u>

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

	<u>2019</u>	<u>2018</u>
Debt issuance costs	\$ 395,391	\$ 395,391
Less accumulated amortization	<u>(26,433)</u>	<u>(13,216)</u>
Debt Issuance Costs, Net	<u>\$ 368,958</u>	<u>\$ 382,175</u>

Interest expense totaled \$751,017 and \$696,384, including amortization of debt issuance costs of \$13,217 and \$13,216, for the years ended June 30, 2019 and 2018, respectively.

Future minimum payments on long-term debt are as follows for years ending June 30:

2020	\$ 358,602
2021	375,223
2022	390,529
2023	406,460
2024	421,221
Thereafter	<u>16,267,754</u>
Total	<u>\$ 18,219,789</u>

NOTE H – CAPITAL LEASE PAYABLE

The School entered into a capital lease for copying equipment on July 7, 2016, secured by the equipment. The obligation under the capital lease has been recorded at the present value of future minimum lease payments, discounted at an interest rate of 3.95% per annum.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE H – CAPITAL LEASE PAYABLE - continued

Minimum future lease payments under the capital lease are due as follows for the years ending June 30:

2020		\$ 13,596
2021		13,596
Total		<u>27,192</u>
Less: the amount representing interest		(436)
Present Value of Net Minimum Lease Payments		<u><u>\$ 26,756</u></u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018, totaling \$0 and \$1,000, respectively, were for scholarships.

NOTE J – RETIREMENT PLAN

The School maintains a salary reduction plan under Section 403(b) of the Internal Revenue Code (“the Plan”). Employees who are scheduled to work 20 hours or more per week are eligible to participate in the Plan. The School contributes a discretionary percentage of compensation, which is determined by the Board of Trustees. The School is currently making employer matching contributions of 100% up to 3% of annual employee compensation and an additional employer discretionary contribution of 3% of annual employee compensation regardless of the amount the employee deferred. Employees are immediately vested 100% in their respective contributions and become 100% vested in employer contribution after two years of service. For the years ended June 30, 2019 and 2018 employer contributions totaled \$492,731 and \$447,389, respectively.

NOTE K – LEASE COMMITMENTS

The School entered into a lease agreement with the District of Columbia Public Schools for facility space located at 5901 9th Street NW, Washington, DC on August 11, 2003. On July 1, 2013, a new lease agreement was signed. The revised term of the lease is from July 1, 2013 to June 30, 2038, with an option to extend for one additional period of twenty-five years. On July 6, 2016, the lease payment terms were amended. The amended monthly lease payments were \$41,923 for the first three years and \$5,261 for years four through twenty-five.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE K – LEASE COMMITMENTS - continued

Future minimum lease payments are as follows for the years ended June 30:

2020	\$	63,136
2021		63,136
2022		63,136
2023		63,136
2024		63,136
Thereafter		820,772
Total	\$	1,136,452

Rent expense related to the lease, which includes the amortization portion of the deferred rent, totaled \$125,072 and \$121,287 for the years ended June 30, 2019 and 2018, respectively. The difference between rent paid and straight-line rent expense is reflected as deferred rent in the accompanying statements of financial position.

In August 2016, the School signed a sub-lease agreement to lease office space to Urban Teachers, a not-for-profit corporation. The sub-lease agreement expired in May 2019. Monthly payments under the sub-lease was \$3,667. Rental income recognized for the years ended June 30, 2019 and 2018, totaled \$18,139 and \$38,227, respectively.

NOTE L – CONCENTRATIONS

The School receives a substantial amount of funding from the District of Columbia based on student enrollment according to the Uniform per Student Funding Formula developed by the Mayor and City Council. For the years ended June 30, 2019 and 2018, the School’s total revenue consisted of 93% and 92%, respectively, of revenue from the District of Columbia Board of Education’s funding stream. Reduction of this source of support would have a significant impact on the School’s programs and activities.

Balances in certain cash accounts occasionally exceed \$250,000, the maximum amount insured by the Federal Deposit Insurance Corporation. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE M – CONTINGENCIES

The School is involved in a claim that was brought under the Individuals with Disabilities Education Act, and pertains to the provision of a free appropriate public education to a student with a disability. The School is currently in settlement negotiations with the family in an effort to resolve the matter. The School may bear some liability but it is unlikely that the parent will

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE M – CONTINGENCIES - continued

prevail entirely on his claim against the School. Therefore, legal counsel has estimated a range of potential loss between \$30,000 and \$50,000. As of June 30, 2019, contingent liabilities totaled \$50,000, and are included in accrued expenses on the statements of financial position.

NOTE N – SUBSEQUENT EVENTS

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required recognition or further disclosure.

**REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE**



**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***

The Board of Trustees
Paul Public Charter School, Inc.
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 Paul Public Charter School, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 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 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.

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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Maurice & McQuade PA

Washington, DC
November 25, 2019



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Board of Trustees of
Paul Public Charter School, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. 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.

Jane Marusa & M^aQuade PA

Washington, DC
November 25, 2019

PAUL PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Indentification Number	Federal Expenditures
U.S. Department of Education			
Pass-through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Title I Grants to Local Educational Agencies	84.010	92010A	\$ 243,985
Supporting Effective Instruction State Grants	84.367	92367A	37,507
English Language Acquisition State Grants	84.365	92365A	17,064
Student Support and Academic Enrichment Program	84.424	92424A	32,003
Special Education Grants to States	84.027	92027A	145,181
DC Opportunity Scholarship Program	84.370	84370C	130,284
Total U.S. Department of Education			<u>606,024</u>
U.S. Department of Agriculture			
Pass-through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Fresh Fruit and Vegetable Program	10.582		14,698
Child Nutrition Cluster			
National School Breakfast Program	10.553		32,752
National School Lunch Program	10.555		184,751
Total Child Nutrition Cluster			<u>217,503</u>
Total U.S. Department of Agriculture			<u>232,201</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 838,225</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

PAUL PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenses are not allowable or are limited as to reimbursement. The School elected not to use the 10 percent de minimis indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

**PAUL PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|---------------|
| (a) Type of auditor's report issued | Unmodified |
| (b) Internal control over financial reporting:
Material weakness identified? | No |
| Significant deficiencies identified that are not
considered to be material weakness? | None reported |
| (c) Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| (a) Type of auditor's report issued on compliance for
major programs: | Unmodified |
| (b) Internal control over major programs:
Material weakness identified? | No |
| Significant deficiencies identified that are not
considered to be material weakness? | None reported |
| (c) Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section 200.516(a)? | No |

Major Programs:

- | | |
|---|---------------|
| (d) Name of Federal Programs and CFDA Number: | |
| Title I Grants to Local Educational Agencies | 84.010 |
| Child Nutrition Cluster | 10.553/10.555 |
| (e) Dollar threshold used to distinguish between
type A and type B programs: | \$750,000 |
| (f) Auditee qualified as low-risk auditee? | No |

**PAUL PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

None noted

SUPPLEMENTAL SCHEDULES

PAUL PUBLIC CHARTER SCHOOL, INC.
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
YEAR ENDED JUNE 30, 2019

Vendor Name	Services Provided	Amount Paid
Carefirst BlueCross BlueShield	Health Insurance	\$ 702,505
Lincoln Financial Group	401k Administrator	499,873
Revolution Foods, INC.	Student meal provider	467,737
BradCorp Services, Inc.	Landscaping and maintenance services	256,018
EdOps	Data and finance consultant	202,635
Swing Education Inc. P2investors, Inc.	Contracted substitute teachers	165,880
PEPCO	Utilities	161,659
DC Public Charter School Board	Authorizer	151,493
Principal Financial Group	Health and life insurance	117,588
DC Treasurer	Landlord and government fees	113,129
AmTrust North America	Insurance	103,608
Metropolitan Area Communication Services LLC	Sped and student services	103,143
Wow Day 1 Painting	Painting services	95,210
United Healthcare	Health insurance	91,594
Office Catering	Caterer	79,527
Traditional Expressions	Contracted teacher	76,610
Houghton Mifflin	Textbooks	75,217
Motivate, Inc.	Student recruitment consultant	75,000
Office Depot	Office and student supplies	71,293
Venable LLP	Legal services	69,022
Washington Gas	Utilities	67,364
DC Water & Sewer Authority	Utilities	67,053
Learning Lane LLC	Transportation	62,275
ADP, LLC	Payroll provider	52,791
BrightView Landscapes, LLC	Landscaping services	46,784
Stripe3	Payments system	43,103
Blackout investigations and security services, Inc	Security services	42,655
Teach For America	Contracted teaching staff	42,000
United Business Technologies	Copier and printer rental	41,747
Canon Solutions America, Inc.	Contracted copier usage and maintenance fees	39,146
Amazon.com	Office and student supplies	37,642
Phoenix Therapeutic Services, Inc.	Student support services	36,519
CenterPoint Education Solutions	Staff professional development	30,500
Peace Thru Culture	Field trip provider	30,278
Indeed.com	Staff recruiting services	26,035
PowerSchool	Student data platform	25,851

Note: The above schedule includes all vendors/contractors who were paid \$25,000 or more for which either a formal contract was executed or no formal contract was entered into, executed or negotiated during the fiscal year ended June 30, 2019.

PAUL PUBLIC CHARTER SCHOOL, INC.
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000
YEAR ENDED JUNE 30, 2019

Vendor Name	Services Provided	Approx. Value
NONE		

This schedule only reflects those unique vendors for which a verbal or written contract was entered into during fiscal year June 30, 2019, that are expected to equal or exceed \$25,000, for which services had not yet begun nor any payment received as of June 30, 2019. Therefore, this schedule does not include any vendors listed on the preceding schedule of vendors paid over \$25,000.