

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2019 AND 2018**

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## Independent Auditor's Report

The Board of Trustees  
Perry Street Preparatory Public Charter School  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Perry Street Preparatory Public Charter School (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 Perry Street Preparatory Public Charter School 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 consolidated 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of Perry Street Preparatory 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 Perry Street Preparatory Public Charter School's internal control over financial reporting and compliance.

Independent Auditor's Report

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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 24-25, as 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.

*Jane Hanna & M. Quade PA*

Washington, DC  
November 6, 2019

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	2019	2018
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,498,803	\$ 2,346,471
Investments	378,103	374,035
Grants receivable	372,665	415,234
Accounts receivable	150,430	130,635
Prepaid expenses	62,402	41,866
Total Current Assets	3,462,403	3,308,241
<b>PROPERTY AND EQUIPMENT, NET</b>	11,318,672	12,016,146
<b>NON CURRENT ASSETS</b>		
Investments, restricted	8,054,534	7,149,314
Construction in progress	246,163	-
Security deposit	5,275	5,275
Total Non Current Assets	8,305,972	7,154,589
<b>TOTAL ASSETS</b>	\$ 23,087,047	\$ 22,478,976
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 321,403	\$ 477,631
Accrued expenses	216,906	169,892
Deposits	157,750	1,750
Total Current Liabilities	696,059	649,273
<b>LONG TERM LIABILITIES</b>		
Deferred rent	3,200,991	2,909,398
Bonds payable	11,719,059	11,650,887
Total Long Term Liabilities	14,920,050	14,560,285
Total Liabilities	15,616,109	15,209,558
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	1,813,964	1,558,698
Board designated - facilities fund	5,462,019	5,462,019
Total Net Assets Without Donor Restrictions	7,275,983	7,020,717
With donor restrictions	194,955	248,701
Total Net Assets	7,470,938	7,269,418
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 23,087,047	\$ 22,478,976

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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 6,209,702	\$ -	\$ 6,209,702
Per pupil facility allowance	1,197,521	-	1,197,521
Federal entitlements and grants	888,989	-	888,989
Other grants and contributions	339,368	-	339,368
In-kind contributions	14,520	-	14,520
Activity fees	5,135	-	5,135
Investment income, net	104,237	-	104,237
Rental income	127,987	-	127,987
Loss on disposal of fixed assets	(3,686)	-	(3,686)
Other income	50,304	-	50,304
Net assets released from restriction	53,746	(53,746)	-
Total Revenue and Support	8,987,823	(53,746)	8,934,077
<b>EXPENSES</b>			
Educational programs	7,575,364	-	7,575,364
Supporting services:			
Management and general	1,154,074	-	1,154,074
Fundraising	3,119	-	3,119
Total Expenses	8,732,557	-	8,732,557
<b>CHANGE IN NET ASSETS</b>	255,266	(53,746)	201,520
<b>NET ASSETS, beginning of year</b>	7,020,717	248,701	7,269,418
<b>NET ASSETS, end of year</b>	\$ 7,275,983	\$ 194,955	\$ 7,470,938

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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 5,879,370	\$ -	\$ 5,879,370
Per pupil facility allowance	1,120,647	-	1,120,647
Federal entitlements and grants	861,587	-	861,587
Other grants and contributions	144,471	-	144,471
In-kind contributions	14,140	-	14,140
Activity fees	10,518	-	10,518
Investment income, net	30,326	-	30,326
Rental income	408,590	-	408,590
Gain on disposal of fixed assets	8,758	-	8,758
Other income	3,853	-	3,853
Net assets released from restriction	27,850	(27,850)	-
Total Revenue and Support	8,510,110	(27,850)	8,482,260
<b>EXPENSES</b>			
Educational programs	7,030,508	-	7,030,508
Supporting services:			
Management and general	1,160,004	-	1,160,004
Fundraising	5,900	-	5,900
Total Expenses	8,196,412	-	8,196,412
<b>CHANGE IN NET ASSETS</b>	313,698	(27,850)	285,848
<b>NET ASSETS, beginning of year</b>	6,707,019	276,551	6,983,570
<b>NET ASSETS, end of year</b>	\$ 7,020,717	\$ 248,701	\$ 7,269,418

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



**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Educational Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>PERSONNEL COSTS</b>				
Salaries	\$ 2,498,373	\$ 399,042	\$ 1,250	\$ 2,898,665
Employee benefits	255,288	35,280	127	290,695
Payroll taxes	223,948	30,950	112	255,010
Staff development	43,201	7,394	20	50,615
Total Personnel Costs	<u>3,020,810</u>	<u>472,666</u>	<u>1,509</u>	<u>3,494,985</u>
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	171,574	-	-	171,574
Contracted student services	743,656	-	-	743,656
Transportation and field trips	27,910	-	-	27,910
Food service	269,819	-	-	269,819
Other direct student expenses	51,694	-	-	51,694
Total Direct Student Costs	<u>1,264,653</u>	<u>-</u>	<u>-</u>	<u>1,264,653</u>
<b>OCCUPANCY EXPENSES</b>				
Rent	256,077	35,388	128	291,593
Repairs and maintenance	124,836	13,510	62	138,408
Utilities	314,890	43,516	157	358,563
Contracted building services	290,566	40,380	145	331,091
Total Occupancy Expenses	<u>986,369</u>	<u>132,794</u>	<u>492</u>	<u>1,119,655</u>
<b>OFFICE EXPENSES</b>				
Office supplies and materials	26,802	16,333	13	43,148
Office equipment lease	38,389	5,306	19	43,714
Postage and shipping	2,668	366	1	3,035
Professional fees	58,894	118,414	-	177,308
Telecommunications	16,852	2,329	8	19,189
Total Office Expenses	<u>143,605</u>	<u>142,748</u>	<u>41</u>	<u>286,394</u>
<b>GENERAL EXPENSES</b>				
Bad debt	-	24,214	-	24,214
Insurance	90,202	12,465	45	102,712
Interest	84,446	11,671	42	96,159
In-kind legal	12,751	1,763	6	14,520
Authorizer fee	-	82,058	-	82,058
Management fees	1,272,240	175,818	635	1,448,693
Depreciation and amortization	680,312	95,150	339	775,801
Technology	19,976	2,727	10	22,713
Total General Expenses	<u>2,159,927</u>	<u>405,866</u>	<u>1,077</u>	<u>2,566,870</u>
Total Expenses	<u>\$ 7,575,364</u>	<u>\$ 1,154,074</u>	<u>\$ 3,119</u>	<u>\$ 8,732,557</u>

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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Supporting Services			Total
	Educational Programs	Management and General	Fundraising	
<b>PERSONNEL COSTS</b>				
Salaries	\$ 2,219,828	\$ 277,825	\$ 2,153	\$ 2,499,806
Employee benefits	172,107	26,910	175	199,192
Payroll taxes	192,214	30,055	195	222,464
Staff development	30,023	4,548	29	34,600
Total Personnel Costs	2,614,172	339,338	2,552	2,956,062
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	165,580	-	-	165,580
Contracted student services	606,880	-	-	606,880
Transportation and field trips	25,859	-	-	25,859
Food service	257,506	-	-	257,506
Student assessments	8,977	-	-	8,977
Other direct student expenses	50,745	-	-	50,745
Total Direct Student Costs	1,115,547	-	-	1,115,547
<b>OCCUPANCY EXPENSES</b>				
Rent	251,942	39,395	256	291,593
Repairs and maintenance	113,806	18,410	116	132,332
Utilities	306,078	47,860	310	354,248
Janitorial supplies	854	133	1	988
Contracted building services	246,441	86,060	250	332,751
Total Occupancy Expenses	919,121	191,858	933	1,111,912
<b>OFFICE EXPENSES</b>				
Office supplies and materials	28,664	4,484	29	33,177
Office equipment lease	30,044	4,698	30	34,772
Postage and shipping	2,653	414	3	3,070
Professional fees	112,030	131,310	114	243,454
Telecommunications	15,900	2,486	16	18,402
Total Office Expenses	189,291	143,392	192	332,875
<b>GENERAL EXPENSES</b>				
Insurance	87,917	13,747	89	101,753
Interest	82,473	80,409	84	162,966
In-kind legal	12,217	1,911	12	14,140
Authorizer fee	-	75,093	-	75,093
Management fees	1,239,122	193,755	1,257	1,434,134
Depreciation and amortization	724,919	113,352	735	839,006
Technology	43,403	6,787	44	50,234
Other general expenses	2,326	362	2	2,690
Total General Expenses	2,192,377	485,416	2,223	2,680,016
Total Expenses	\$ 7,030,508	\$ 1,160,004	\$ 5,900	\$ 8,196,412

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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 201,520	\$ 285,848
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	775,801	839,006
Amortization of debt issuance costs	68,173	68,173
Net appreciation in fair value of investments	(4,068)	(2,947)
Loss (gain) on disposal of fixed assets	3,686	(8,758)
(Increase) decrease in assets:		
Grants receivable	42,569	(227,986)
Accounts receivable	(19,795)	105,096
Prepaid expenses	(20,536)	10,197
Increase (decrease) in liabilities:		
Accounts payable	(156,228)	336,008
Accrued expenses	47,014	37,334
Deposits	156,000	(46,390)
Deferred revenue	-	(6,469)
Deferred rent	291,593	291,593
Net Cash Provided by Operating Activities	1,385,729	1,680,705
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(328,177)	(156,247)
Purchase of investments	(905,220)	(767,737)
Net Cash Used for Investing Activities	(1,233,397)	(923,984)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease payable	-	(4,591)
Net Cash Used for Financing Activities	-	(4,591)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	152,332	752,130
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,346,471	1,594,341
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 2,498,803	\$ 2,346,471
 <b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	\$ 27,986	\$ 27,280

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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE A – ORGANIZATION AND PURPOSE**

Perry Street Preparatory Public Charter School (the “School”) was incorporated as a college preparatory public charter school in 1999 in an effort to develop socially responsible leaders while transforming public education. The School operated under a license agreement with Hyde Leadership Schools (“HLS”) in Maine. As a part of the agreement, HLS made available its trademark, educational model, curricula, written materials and certain other services. In July 2011, the School terminated its license with HLS and changed its name to Perry Street Preparatory Public Charter School.

On July 1, 1999, the School entered into a contract with the District of Columbia Public Charter School Board (“DCPCSB”), which granted the School a charter for the establishment of a public charter school in Washington, DC.

On February 19, 2014, the School's charter was renewed by the DCPCSB effective July 1, 2014, for another 15 years. The DCPCSB has the authority to revoke the School's charter for violations of applicable laws, conditions, terms and procedures set forth in the charter. The School's charter provides for enrollment of up to 850 students in pre-kindergarten (3 years old) through 8th grade. Under the provisions of the contract, the DCPCSB is to make annual payments to the School for services provided to the students based on the number of students attending the School each year. The School's revenue and other support consist primarily of contributions, as well as grants and contracts from the District of Columbia, the federal government and private sources.

**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, Perry Street Preparatory Public Charter 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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued**

Adoption of New Accounting Pronouncement (continued)

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.

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.

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 that were assumed in preparing the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include highly liquid investments with an original maturity of three months or less and money market account. The School maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. The School believes it is not exposed to any significant credit risk on cash or cash equivalents.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Restricted Investments

Restricted investments are comprised of investments required to be maintained in separate accounts in accordance with debt agreements.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment acquired are recorded at cost or, if donated, at the approximate fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Leasehold improvements are amortized over the term of the lease or useful life of the asset, whichever is shorter. Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred. Construction in progress on the School includes additions to the front entrance.

Investments

The School reports its investments at fair value, and any net appreciation and depreciation in fair value and investment income are recorded in the statement of activities as a change in unrestricted net assets, unless their use is restricted by explicit donor-imposed stipulations or by law.

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.

Accounts and Grants Receivable

Accounts and grants receivable consist of unsecured amounts from public funding sources whose ability to pay are subject to appropriations. Accounts and grants 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. If actual experience changes, revisions to the allowance may be necessary. As of June 30, 2019 and 2018, a significant portion of the receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Accounts and Grants Receivable (continued)

management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been recorded.

Deferred Rent

Under generally accepted accounting principles, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

Deferred Revenue

Deferred revenue represents amounts received during one year and deferred until the following fiscal year in which the services are provided.

Per Pupil Appropriations

Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. Per pupil appropriated revenue includes \$1,806,456 and \$1,789,289 for the years ended June 30, 2019 and 2018, respectively, for enhancements, such as special education, English language learners, and at risk students.

Activity Fees

Activity fees are recognized at the time of the activity. This revenue is amounts collected from students from, but not restricted to, field trips, camps and other school related activities.

Federal Entitlements and Grants

Federal entitlements and grants revenues are received primarily from the District of Columbia Government. The grants are subject to audit by the grantor agencies. Such audits 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.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Method 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 a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked.

Donated Services and Materials

Donated materials are recorded at fair market value at the date of donation. Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Contributed services and promises to give services that do not meet the above criteria are not recognized. The School received donated legal services in the amount of \$14,520 and \$14,140 for the years ended June 30, 2019 and 2018, respectively.

**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 is also exempt from the District of Columbia sales and property taxes. 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 tax 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 ended June 30, 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.



**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**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, investments and receivables. Restricted investments are not available for operations as these are for the payment of the bond sinking fund that will be paid at maturity, and are also included on the statement of financial position under the Board Designated – facilities fund total.

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

	2019	2018
Cash and cash equivalents	\$ 2,498,803	\$ 2,346,471
Investments	378,103	374,035
Current receivable	523,095	545,869
Total Financial Assets	3,400,001	3,266,375
Encumbered net assets with donor restrictions for the next one year	(194,955)	(248,701)
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	\$ 3,205,046	\$ 3,017,674

**NOTE E – PROPERTY AND EQUIPMENT**

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

	2019	2018
Leasehold improvements	\$ 17,025,046	\$ 17,005,849
Leased equipment	2,380	2,380
Computers	119,548	135,711
Resource materials	138,113	103,373
Furniture and fixtures	469,872	466,204
	17,754,959	17,713,517
Less accumulated depreciation	(6,436,287)	(5,697,371)
Property and Equipment, Net	\$ 11,318,672	\$ 12,016,146

Depreciation expense totaled \$775,801 and \$839,006, for the years ended June 30, 2019 and 2018, respectively.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE F – INVESTMENTS AND FAIR MARKET VALUE MEASUREMENTS**

Current accounting standards establish a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described 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. There were no Level 3 inputs for any assets held by the School at June 30, 2019 and 2018.

The School's money market funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. The U.S. treasury obligations, reported at cost, are restricted and held by the Trustee for the bonds. These securities are State and Local Government Series securities, issued specifically to be held privately and therefore not traded in the public market. These are issued as time deposits and are reported at cost. U.S. Treasury obligations are reported at cost. Federal mortgage-backed securities are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE F – INVESTMENTS AND FAIR MARKET VALUE MEASUREMENTS – continued**

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

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Cash	\$ 370,589	\$ -	\$ -	\$ 370,589
Money market funds	7,210,888	-	-	7,210,888
Federal mortgage-backed securities	-	9,493	-	9,493
Total Investments at Fair Value	<u>\$ 7,581,477</u>	<u>\$ 9,493</u>	<u>\$ -</u>	<u>\$ 7,590,970</u>
Investments at cost:				
U.S. treasury obligations				841,667
Total Investments				<u>\$ 8,432,637</u>

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

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Cash	\$ 429,561	\$ -	\$ -	\$ 429,561
Money market funds	6,239,722	-	-	6,239,722
Federal mortgage-backed securities	-	12,399	-	12,399
Total Investments at Fair Value	<u>\$ 6,669,283</u>	<u>\$ 12,399</u>	<u>\$ -</u>	<u>\$ 6,681,682</u>
Investments at cost:				
U.S. treasury obligations				841,667
Total Investments				<u>\$ 7,523,349</u>

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

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE F – INVESTMENTS AND FAIR MARKET VALUE MEASUREMENTS – continued**

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

**NOTE G – BONDS PAYABLE**

In May 2010, the District of Columbia issued and sold qualified school construction revenue bonds (Hyde Leadership Public Charter School of Washington, D.C., Inc. Issue, Series 2010) (“the Bonds”), totaling \$12,625,000 for a period of 16 years and maturing in May 2026, to Eagle Bank, the proceeds of which were loaned to the School by the District of Columbia government and were used to finance the building improvements and related capital expenditures at 1800 Perry Street, NE, Washington, D.C. During the construction period, draw requests were reviewed by a third-party project engineer contracted by the financial institution at the School's expense and advanced to the School's operating bank account as approved.

Beginning on November 1, 2010, the School is required to make deposits into a sinking fund, which are to be used for redemption of the principal by the maturity date. The sinking fund will be invested in a money market or business savings account with a fixed rate of 2% for five years. Thereafter, the interest rate will adjust to the then prevailing five-year certificate of deposit interest rate of the financial institution at the call date of the Bonds. The financial institution has the ability to call the Bonds as a whole for prepayment after 60 months and 120 months, following the initial Bond closing date, upon six months' notice. The first call date was November 1, 2014. The Bonds were not called by Eagle Bank.

The Bonds are secured by (1) a first leasehold deed of trust on the property at 1800 Perry Street, NE; (2) the School's \$350,000 deposit account with a financial institution; (3) a \$600,000 guaranty provided by America's Charter School Corporation, a subsidiary of Building Hope; (4) a \$1,000,000 guaranty provided by the Office of the State Superintendent of Education (OSSE) for four years from the date of closing; (5) a first priority Uniform Commercial Code (UCC) lien on all of the School's tangible assets, including all equipment and fixtures located on the real estate collateral; (6) a pledge of all net revenue, including, but not limited to, the School's facilities allowance, the District of Columbia Public Charter School Board's per-pupil-quarterly funding and all future non-designated philanthropic pledges; (7) construction documents and materials; (8) an assignment of the lease between the School and the District of Columbia Office of Property Management for the property; (9) a pledge of a debt service reserve fund held by Eagle Bank equal to no less than 12 months of senior debt service in the amount of \$841,667, funded by a source acceptable to the bank; and (10) the full balance of the sinking fund. The interest rate is calculated at each put date at the prevailing Five-Year Treasury Constant Maturity Rate plus 4.25% less the tax credit rate.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE G – BONDS PAYABLE** – continued

On June 30, 2015, the Bond agreement was modified and extended and the interest rate reset as of the put date on May 1, 2015 to 0.21% per annum until the next put date. In addition, the debt payable to Building Hope and OSSE by the School were paid in full on June 30, 2015 and related guarantees released. As of June 30, 2019 and 2018, the rate was 0.21% and 0.21%, respectively. Interest is due monthly. The outstanding balance on the Bonds as of June 30, 2019 and 2018 is \$12,114,656, respectively. The maturity date of the Bonds is May 1, 2026.

The bonds have various covenants. The School must maintain a minimum debt service coverage ratio of 1.20 to 1:00 on an annual basis to be in good standing with the jurisdiction in which it is domiciled. As of June 30, 2019, the School had met the debt service coverage ratio minimum.

The sinking fund payments on the revenue Bonds over the next five years and thereafter are as follows:

2020	\$	810,160
2021		810,160
2022		810,160
2023		810,160
2024		810,160
Thereafter		1,620,320
		\$ 5,671,120

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

	2019	2018
Loan due May 2026	\$ 12,114,656	\$ 12,114,656
Less debt issuance costs, net of accumulated amortization	(395,597)	(463,769)
Total Long Term Debt	\$ 11,719,059	\$ 11,650,887

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE G – BONDS PAYABLE** – continued

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

	2019	2018
Debt issuance costs	\$ 1,142,978	\$ 1,142,978
Less accumulated amortization	(747,381)	(679,209)
Debt Issuance Costs, Net	\$ 395,597	\$ 463,769

The total amortization expense for debt issuance costs for the years ending June 30, 2019 and 2018, totaled \$68,173 for each year.

**NOTE H – LEASE COMMITMENTS**

On May 13, 2010, the School entered into a non-cancelable operating lease agreement for its school space with the District of Columbia. The lease term is 25 years, subject to one extension of another 25 years, and has a monthly rental obligation of \$95,833, subject to adjustment and credit thereafter, as provided by the lease. The School is entitled to rent abatements equivalent to tenant improvements to the School facility on a dollar-for-dollar basis against the full amount of the base rent through the 15th year of the lease. The balance of the improvements abatement is amortized over the remaining life of the lease agreement. As of June 30, 2019 and 2018, the School incurred \$16,925,637 in improvements to the facility which have been approved for abatement. The School recognizes abatements as they are approved.

Rent expense totaled \$291,593 and \$291,593 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, future minimum annual rental obligations of \$1,150,000 required under this lease for fiscal years 2018-2025 have been abated and future minimum rental payments thereafter total \$7,828,069.

On May 1, 2013, the School entered into a sublease agreement for a term of 21 years, expiring on July 31, 2034, for a portion of the School's building space. After April 1, 2018, the sub lessee may cancel the lease with one year written notice. Annual base rent is \$128,700; however, the rent is abated dollar-for-dollar for sub lessee improvements made up to \$4,000,000. Commencing June 1, 2025, any remaining balance of sub lessee's improvements abatement is amortized over the remaining life of the agreement on a straight-line basis.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE H – LEASE COMMITMENTS - continued**

On June 17, 2016, the School entered into a sublease agreement for a term of 12 years, expiring on June 30, 2028, for a portion of the School's building space. At any time after June 30, 2018, the sub-lessee may cancel the lease with one year written notice. Annual base rent is \$288,840, paid quarterly. The sub-lessee was terminated as of June 30, 2018. For the years ended June 30, 2019 and 2018, the School has recognized \$0 and \$366,840, respectively, as rental income, including utilities, from this lessor.

On January 12, 2019, the School entered into a sublease agreement for a term of 7 years, commencing on July 1, 2019 and expiring on June 30, 2026, for a portion of the School's building space. At any time after March 1, 2017, the sub-lessee may cancel the lease with ninety days written notice. Annual base rent is \$156,000. The School has received a deposit of a full year's rent as of June 30, 2019 of which \$117,000 will be applied towards the rent for the second year of the rental payments.

**NOTE I – MANAGEMENT AGREEMENT**

Effective July 1, 2015, the School entered into a management agreement with AppleTree Institute for Education Innovation ("AppleTree"). The agreement contracts AppleTree to fully manage and operate the early education program for pre-school and pre-kindergarten children under the School's charter. Management of the early education program includes operating, marketing, and staffing the program. The initial term of the agreement is effective for five years,

and scheduled to terminate June 30, 2020. If adequate yearly progress has been achieved per evaluations, the term of the agreement may be automatically extended for an additional five-year period, unless either party gives notice of at least 120 days prior to expiration.

The School is responsible for all costs associated with operating the early education program. The School is to compensate AppleTree a management fee equal to the per-pupil funding the School receives for its enrolled pre-K3 and pre-K4 student population and other fees received specific to the early education program, such as special education, English language learners, at-risk population, and summer school revenue received. Management fees incurred under the agreement for the years ended June 30, 2019 and 2018 was \$1,448,693 and \$1,434,134, respectively.

**NOTE J – COMMITMENTS AND CONTINGENT LIABILITIES**

The School receives revenue from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The school is of the opinion that disallowance, if any, arising from such audits will not have a material effect on the financial statements. The School has no provisions for the possible disallowance of program costs on its financial statements.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE J – COMMITMENTS AND CONTINGENT LIABILITIES - continued**

On July 1, 2019 The School amended its contract with TenSquare, LLC extending the term to June 30, 2023 at an annual cost of \$418,000 plus recruiting fees at agreed upon rates based on the position. The base fee of \$418,000 is subject to a 2% annual escalation. For the years ended June 30, 2019 and 2018, the amount expensed under this contract totaled \$571,725, and \$500,004, respectively, and is included in the statements of activities.

**NOTE K – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2019 and 2018 were designated as follows:

	2019	2018
Legal counseling services	\$ 194,955	\$ 222,805
Athletic	-	17,277
Parent engagement funds	-	8,619
Total	\$ 194,955	\$ 248,701

**NOTE L – CONCENTRATION OF RISK**

The School is supported primarily by local and federal appropriations and grants. For the years ended June 30, 2019 and 2018, 83% and 93%, respectively, of the total revenue was provided by one local government agency. Reduction of this source of support would have a significant impact on the School’s programs and activities. Geographical area of clients served is predominantly Ward 5 of the District of Columbia.

As of June 30, 2019 and 2018, the School had cash that exceeded federally insured limits by approximately \$2,266,000 and \$2,070,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

**NOTE M – PENSION PLAN**

The School participates in the Teachers Insurance and Annuity Association-College Retirement Equities Fund (“TIAA-CREF”) and the Supplemental Retirement Annuities (“SRA”) plans. Both of these plans qualify as defined contribution retirement plans under Section 403(b) of the Internal Revenue Code (“IRC”) and allow eligible employees to participate in these plans.



**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**  
(continued)

**NOTE M – PENSION PLAN - continued**

Employees participating in the TIAA-CREF plan may elect to contribute up to a maximum of 5% of their gross salary. The School provides a dollar-for-dollar match up to the 5% limit. Employees participating in the SRA plan may elect to contribute up to a maximum of 11% of their gross salary (which includes any of the employee's TIAA-CREF contributions). There is no matching contribution associated with this plan.

For the years ended June 30, 2019 and 2018, pension expense totaled \$43,329 and \$31,709, respectively.

**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 6, 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 further recognition and disclosure.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000  
YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
Align Staffing	Substitute Service	29,252
Amazon	Office/Student Supplies	70,118
AppleTree Institute for education Innovation	Management Fees	1,451,058
Busy Bee Environmental Service	Custodial/Maintenance Services	463,458
DC Health Link	Health Insurance	197,747
DC Public Charter School Board	Authorizer Fees	82,058
DC Water and Sewer Authority	Utilities	54,269
De Lage Landen Financial Services	Copier Services	36,975
EdOps	Finance/Accounting	83,425
End-to-End Solutions for Special Ed.	Special Education Services	27,000
Incredible Designs	Student Uniforms	84,352
J&C Behavioral Therapy, LLC	Special Education Services	29,482
M&T Bank	Debt Service	25,724
PEPCO	Utilities	228,642
Philadelphia Insurance Companies	Liability Insurance	97,159
Preferred Meal Systems Inc	Food Service	238,328
Sterling Speech Associates, LLC	Special Education Services	97,160
TenSquare, LLC	Turnaround Services	571,725
TIAA-CREF	Retirement Solutions	33,783
UHS Premium Billing	Health Insurance	29,705
Washington Gas	Utilities	67,427
WESTED	Research Partner for Dissemination Grant	49,960

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.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000  
YEAR ENDED JUNE 30, 2019**

<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, 2019 for services that will amount to more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2019.



**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  
Perry Street Preparatory 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Perry Street Preparatory Public Charter School, (a non-profit organization) (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 6, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

*Jane Marusa & McQuade PA*

Washington, DC  
November 6, 2019



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

The Board of Trustees of  
Perry Street Preparatory Public Charter School  
Washington, DC

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

We have audited Perry Street Preparatory Public Charter School , (the "School") 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 the 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, Perry Street Preparatory Public Charter 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 & McQuade PA*

Washington, DC  
November 6, 2019

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-through Grantor/</u>	<u>Federal CFDA</u>	<u>Grant</u>	<u>Federal</u>
<b>U. S. Department of Education</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
Title I Grants to Local Educational Agencies	84.010	84.010A	126,972
Special Education Grants to States	84.027	84.027A	64,325
Special Education Preschool Grants	84.173	84.173A	754
Charter Schools	84.282	84.282A	97,728
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	84.367A	25,351
DC Opportunity Scholarship Program	84.370	84.320C	301,189
Student Support and Academic Enrichment Program	84.424	84.424A	11,288
<b>Total U.S. Department of Education</b>			<u>627,607</u>
<b>U.S. Department of Agriculture - Food and Nutrition Service</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	231,032
Commodity Supplemental Food Program	10.565	N/A	16,731
Fresh Fruit and Vegetable Program	10.582	N/A	13,619
Total Child Nutrition Cluster			<u>261,382</u>
<b>Total U.S. Department of Agriculture</b>			<u>261,382</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 888,989</u>



**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
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, 2018. 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.

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

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

***Major programs***

Name of Federal Program:	DC Opportunity Scholarship Program
CFDA Number	84.370
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**PERRY STREET PREPARATORY PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

None Noted

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

None Noted

**SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

None Noted