

THE NEXT STEP PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

KENDALL, PREBOLA AND JONES

Certified Public Accountants

PO BOX 259

BEDFORD, PENNSYLVANIA 15522-0259

(814) 623-1880

FAX (814) 623-7548

I N D E X

	<u>Page</u>
Independent Auditor's Report	1-2
Comparative Statements of Financial Position, June 30, 2019 and 2018	3
Comparative Statements of Activities, For the Years Ended June 30, 2019 and 2018	4
Comparative Statements of Functional Expenses, For the Years Ended June 30, 2019 and 2018	5-6
Comparative Statements of Cash Flows, For the Years Ended June 30, 2019 and 2018	7
Notes to Financial Statements	8-29
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Summary Schedule of Prior Audit Findings, For the Year Ended June 30, 2019	32
Schedule of Findings, For the Year Ended June 30, 2019	33
<u>Non-Accounting Information:</u>	
Schedule of Contracts Awarded in Excess of \$25,000	34

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
The Next Step Public Charter School
3047 15th Street, NW
Washington, DC 20009

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Next Step 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 audits 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 The Next Step 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**

We have audited the financial statements of The Next Step Public Charter School as of and for the years ended June 30, 2019 and 2018, and our report thereon dated December 6, 2019, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of The Next Step 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 solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Next Step Public Charter School's 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 Next Step Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 6, 2019

THE NEXT STEP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 11,621,262	\$ 12,997,572
Certificates of Deposit	251,060	250,562
Grants and Accounts Receivable	28,400	131,553
Promises Receivable	1,067	2,740
Prepaid Expenses	<u>65,029</u>	<u>128,090</u>
Total Current Assets	<u>\$ 11,966,818</u>	<u>\$ 13,510,517</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 8,170,478</u>	<u>\$ 8,438,845</u>
Total Fixed Assets	<u>\$ 8,170,478</u>	<u>\$ 8,438,845</u>
<u>Other Assets:</u>		
Deposits	\$ 3,141	\$ 56,165
Interest Rate Swap	<u>-</u>	<u>29,744</u>
Total Other Assets	<u>\$ 3,141</u>	<u>\$ 85,909</u>
TOTAL ASSETS	<u>\$ 20,140,437</u>	<u>\$ 22,035,271</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 129,451	\$ 167,323
Accrued Interest Payable	19,974	24,704
Income Taxes Payable	2,631	2,529
Accrued Unemployment Claims	-	2,740
Accrued Salary and Vacation	355,645	303,226
Payroll Withholdings and Related Liabilities	29,633	23,405
Security Deposit Payable	-	45,187
Current Portion of Long-Term Liabilities	<u>147,837</u>	<u>181,296</u>
Total Current Liabilities	<u>\$ 685,171</u>	<u>\$ 750,410</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 5,516,477	\$ 6,907,929
Less: Current Portion	(147,837)	(181,296)
Interest Rate Swap	<u>85,407</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 5,454,047</u>	<u>\$ 6,726,633</u>
Total Liabilities	<u>\$ 6,139,218</u>	<u>\$ 7,477,043</u>
<u>Net Assets:</u>		
Without Donor Restrictions:		
Unrestricted	\$ 13,497,598	\$ 14,074,279
Board Designated	397,078	263,484
With Donor Restrictions	<u>106,543</u>	<u>220,465</u>
Total Net Assets	<u>\$ 14,001,219</u>	<u>\$ 14,558,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,140,437</u>	<u>\$ 22,035,271</u>

(See Accompanying Notes and Auditor's Report)

THE NEXT STEP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains, and Other Support:</u>						
Per Pupil Funding Allocation	\$ 7,092,957	\$ -	\$ 7,092,957	\$ 7,643,267	\$ -	\$ 7,643,267
Per Pupil Funding - Facilities Allowance	1,236,676	-	1,236,676	1,334,560	-	1,334,560
Federal Entitlements and Grants	226,816	-	226,816	786,682	-	786,682
State Grants	23,921	-	23,921	40,624	-	40,624
Private Grants and Contributions	10,529	11,387	21,916	6,074	200,140	206,214
Donated Services and Materials	3,500	-	3,500	100	-	100
Interest Income	77,469	-	77,469	26,055	-	26,055
Loss on Disposal of Fixed Assets	-	-	-	(2,489)	-	(2,489)
Rental Revenue	\$ 8,400	\$ -	\$ 8,400	\$ 73,009	\$ -	\$ 73,009
Less: Rental Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,377)</u>	<u>-</u>	<u>(69,377)</u>
Net Rental Income/(Loss)	<u>\$ 8,400</u>	<u>\$ -</u>	<u>\$ 8,400</u>	<u>\$ 3,632</u>	<u>\$ -</u>	<u>\$ 3,632</u>
Special Events: (Gala)						
Contributions	\$ 3,111	\$ -	\$ 3,111	\$ -	\$ -	\$ -
Tickets	3,800	-	3,800	-	-	-
Less: Costs of Benefits to Donors	<u>(15,079)</u>	<u>-</u>	<u>(15,079)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Special Events Income/(Loss)	<u>\$ (8,168)</u>	<u>\$ -</u>	<u>\$ (8,168)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>125,309</u>	<u>(125,309)</u>	<u>-</u>	<u>44,675</u>	<u>(44,675)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 8,797,409</u>	<u>\$ (113,922)</u>	<u>\$ 8,683,487</u>	<u>\$ 9,883,180</u>	<u>\$ 155,465</u>	<u>\$ 10,038,645</u>
<u>Expenses:</u>						
Program Services	\$ 8,021,660	\$ -	\$ 8,021,660	\$ 7,775,844	\$ -	\$ 7,775,844
General and Administrative	1,055,079	-	1,055,079	938,888	-	938,888
Fundraising	<u>48,606</u>	<u>-</u>	<u>48,606</u>	<u>30,661</u>	<u>-</u>	<u>30,661</u>
Total Expenses	<u>\$ 9,125,345</u>	<u>\$ -</u>	<u>\$ 9,125,345</u>	<u>\$ 8,745,393</u>	<u>\$ -</u>	<u>\$ 8,745,393</u>
Change in Net Assets before Change in Fair Value of Interest Rate Swap	\$ (327,936)	\$ (113,922)	\$ (441,858)	\$ 1,137,787	\$ 155,465	\$ 1,293,252
Change in Fair Value of Interest Rate Swap	<u>(115,151)</u>	<u>-</u>	<u>(115,151)</u>	<u>174,558</u>	<u>-</u>	<u>174,558</u>
Change in Net Assets	\$ (443,087)	\$ (113,922)	\$ (557,009)	\$ 1,312,345	\$ 155,465	\$ 1,467,810
Net Assets, Beginning of Year	<u>14,337,763</u>	<u>220,465</u>	<u>14,558,228</u>	<u>13,025,418</u>	<u>65,000</u>	<u>13,090,418</u>
Net Assets, End of Year	<u>\$ 13,894,676</u>	<u>\$ 106,543</u>	<u>\$ 14,001,219</u>	<u>\$ 14,337,763</u>	<u>\$ 220,465</u>	<u>\$ 14,558,228</u>

(See Accompanying Notes and Auditor's Report)

THE NEXT STEP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Administration Salaries	\$ 753,053	\$ 505,668	\$ 238,770	\$ 8,615	\$ 631,341	\$ 301,815	\$ 316,448	\$ 13,078
Teachers' Salaries	1,935,158	1,935,158	-	-	1,892,158	1,892,158	-	-
Teachers' Aides/Support Salaries	922,513	922,513	-	-	863,560	863,560	-	-
Student Support Service Salaries	841,275	841,275	-	-	952,000	934,205	17,795	-
Clerical Salaries	231,841	116,232	115,355	254	151,249	151,249	-	-
Maintenance/Operation Salaries	499,184	333,064	166,120	-	429,519	253,514	176,005	-
Security Salaries	106,634	106,634	-	-	127,154	127,154	-	-
Employee Benefits	714,226	642,783	70,245	1,198	551,678	494,474	55,775	1,429
Payroll Taxes	409,707	368,725	40,295	687	394,021	353,165	39,836	1,020
Contracted Staff	31,030	31,030	-	-	16,060	16,060	-	-
Staff Development	101,037	93,474	7,563	-	215,882	194,294	21,588	-
Other Staff Related Expenses	28,139	26,003	2,104	32	38,631	34,768	3,863	-
Total Personnel, Salaries and Benefits	\$ 6,573,797	\$ 5,922,559	\$ 640,452	\$ 10,786	\$ 6,263,253	\$ 5,616,416	\$ 631,310	\$ 15,527
<u>Direct Student Costs:</u>								
Student Supplies and Materials	\$ 50,709	\$ 50,709	\$ -	\$ -	\$ 25,533	\$ 25,533	\$ -	\$ -
Food Service	125,391	125,391	-	-	154,745	154,745	-	-
Student Recruiting	41,079	41,079	-	-	46,553	46,553	-	-
Student Travel/Field Trips	4,792	4,792	-	-	6,232	6,232	-	-
Contracted Instructional Student Services	110,086	110,086	-	-	78,557	78,557	-	-
Transportation	6,196	6,196	-	-	13,444	13,444	-	-
Student Assessment Materials	17,778	17,778	-	-	25,194	25,194	-	-
Student Uniforms	-	-	-	-	8,467	8,467	-	-
Textbooks	115,913	115,913	-	-	82,290	82,290	-	-
Scholarships	60,018	60,018	-	-	92,067	92,067	-	-
Translation Services	-	-	-	-	16,922	16,922	-	-
Other Student Costs	110,535	110,535	-	-	52,520	52,520	-	-
Total Direct Student Costs	\$ 642,497	\$ 642,497	\$ -	\$ -	\$ 602,524	\$ 602,524	\$ -	\$ -
<u>Occupancy Costs:</u>								
Rent	\$ -	\$ -	\$ -	\$ -	\$ 29,503	\$ 26,444	\$ 2,983	\$ 76
Interest Expense - Building	295,977	273,507	22,130	340	308,980	236,626	71,670	684
Depreciation - Building	314,858	290,954	23,542	362	295,452	264,816	29,870	766
Contracted Building Services/Supplies	54,122	50,013	4,047	62	49,884	44,712	5,043	129
Utilities	89,040	82,280	6,658	102	82,635	74,067	8,354	214
Building Maintenance and Repairs	21,096	19,494	1,578	24	39,138	35,081	3,956	101
Building Insurance	14,537	13,433	1,087	17	12,241	10,971	1,238	32
Total Occupancy Costs	\$ 789,630	\$ 729,681	\$ 59,042	\$ 907	\$ 817,833	\$ 692,717	\$ 123,114	\$ 2,002

(See Accompanying Notes and Auditor's Report)

THE NEXT STEP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 75,665	\$ 67,305	\$ 5,446	\$ 2,914	\$ 121,825	\$ 105,963	\$ 11,952	\$ 3,910
Equipment Rental and Maintenance	27,006	24,378	1,972	656	26,330	23,600	2,662	68
Telecommunications	126,404	116,808	9,451	145	128,354	115,044	12,977	333
Travel	61,332	56,741	4,591	-	39,154	35,239	3,915	-
Printing and Copying	2,502	1,036	84	1,382	344	308	35	1
Postage and Shipping	838	481	39	318	1,029	922	104	3
Computer Support	113,954	105,303	8,520	131	62,767	56,258	6,346	163
Membership and Subscriptions	19,868	14,912	1,207	3,749	12,297	11,022	1,243	32
Other Expenses	1,010	933	76	1	8,402	7,530	850	22
Total Office Expenses	<u>\$ 428,579</u>	<u>\$ 387,897</u>	<u>\$ 31,386</u>	<u>\$ 9,296</u>	<u>\$ 400,502</u>	<u>\$ 355,886</u>	<u>\$ 40,084</u>	<u>\$ 4,532</u>
<u>General Expenses:</u>								
Insurance	\$ 25,055	\$ -	\$ 24,879	\$ 176	\$ 23,128	\$ 20,730	\$ 2,338	\$ 60
Accounting, Auditing and Payroll Services	137,395	-	137,395	-	124,398	111,499	12,577	322
Legal Services	27,985	-	27,985	-	53,055	-	53,055	-
Authorizer Fee	77,223	65,639	11,584	-	88,246	79,421	8,825	-
Depreciation and Amortization	75,165	69,459	5,620	86	118,701	106,392	12,001	308
Income Taxes	5,588	-	5,588	-	2,529	-	2,529	-
Other Professional Fees	342,431	203,928	111,148	27,355	251,224	190,259	53,055	7,910
Total General Expenses	<u>\$ 690,842</u>	<u>\$ 339,026</u>	<u>\$ 324,199</u>	<u>\$ 27,617</u>	<u>\$ 661,281</u>	<u>\$ 508,301</u>	<u>\$ 144,380</u>	<u>\$ 8,600</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 9,125,345</u>	<u>\$ 8,021,660</u>	<u>\$ 1,055,079</u>	<u>\$ 48,606</u>	<u>\$ 8,745,393</u>	<u>\$ 7,775,844</u>	<u>\$ 938,888</u>	<u>\$ 30,661</u>

(See Accompanying Notes and Auditor's Report)

THE NEXT STEP PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (557,009)	\$ 1,467,810
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation Expense	390,023	429,703
Debt Issuance Costs - Interest	44,980	44,980
Change in Value of Interest Rate Swap	115,151	(174,558)
Loss on Disposal of Fixed Assets	-	2,489
Grants and Accounts Receivable - (Increase)/Decrease	103,153	1,090
Promises Receivable - (Increase)/Decrease	1,673	(2,740)
Prepaid Expenses - (Increase)/Decrease	63,061	(47,982)
Deposits - (Increase)/Decrease	53,024	13,945
Accounts Payable - Increase/(Decrease)	(37,872)	44,695
Accrued Interest Payable - Increase/(Decrease)	(4,730)	3,429
Income Taxes Payable - Increase/(Decrease)	102	2,529
Accrued Unemployment Claims - Increase/(Decrease)	(2,740)	(5,481)
Accrued Salary and Vacation - Increase/(Decrease)	52,419	90,446
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	6,228	4,798
Deferred Rental Income - Increase/(Decrease)	-	(51,091)
Security Deposit Payable - Increase/(Decrease)	<u>(45,187)</u>	<u>(25,098)</u>
Net Cash Flows from Operating Activities	<u>\$ 182,276</u>	<u>\$ 1,798,964</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (121,656)	\$ (155,352)
Proceeds on Sale of Fixed Assets	-	1,750
Purchase of Certificates of Deposit	(251,060)	(250,562)
Proceeds on Sale of Certificates of Deposit	<u>250,562</u>	<u>250,436</u>
Net Cash Flows from Investing Activities	<u>\$ (122,154)</u>	<u>\$ (153,728)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes Payable	<u>\$ (1,436,432)</u>	<u>\$ (218,483)</u>
Net Cash Flows from Financing Activities	<u>\$ (1,436,432)</u>	<u>\$ (218,483)</u>
Net Increase in Cash and Cash Equivalents	\$ (1,376,310)	\$ 1,426,753
Cash and Cash Equivalents at Beginning of Year	<u>12,997,572</u>	<u>11,570,819</u>
Cash and Cash Equivalents at End of Year	<u>\$ 11,621,262</u>	<u>\$ 12,997,572</u>

Supplemental Disclosures:

- a) Cash paid for interest for the years ended June 30, 2019 and 2018 was \$255,727 and \$274,466, respectively.
- b) Income taxes in the amount of \$5,486 were paid during the year ended June 30, 2019.

(See Accompanying Notes and Auditor's Report)

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

The Next Step Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation, was incorporated in March 1998, exclusively for educational purposes. The mission of The Next Step/El Próximo Paso Public Charter School is to provide students who face extraordinary challenges and who are not supported in traditional high schools the opportunity to continue their education.

For over 20 years, The Next Step Public Charter School has sought to fulfill its vision in meaningful, innovative, sustainable and replicable ways, for opportunity youth (ages 16-24): “We envision a world in which all youth receive an excellent education and the support they need to realize their full potential as human beings and contributing members of society.” Attention to student aspirations, as described in students’ individualized life plans, commit the entire school community to assisting achievement in academic, personal, and career domains.

This Charter School “provides students who face extraordinary challenges and who are not supported in traditional high schools with the opportunity to continue their education,” as declared in the mission statement. In practice, The Next Step PCS offers three academic programs for opportunity youth: English as a Second Language (ESL), GED English and GED Español. Students experience comprehensive and holistic resources to ensure success, as facilitated by the Division of Student Support and Engagement - case management, childcare, transportation resources, food and diaper resources, career and life skills advising, as well as mental health services.

Students at The Next Step PCS are exposed to their career aspirations, as well as college. Through dual enrollment, and the forthcoming early college, students at The Next Step PCS receive the support necessary to achieve their academic goals, while also successfully pursuing postsecondary education.

The Charter School’s primary sources of support are local appropriations for Charter Schools from the District of Columbia. The Charter School also receives federal entitlement funding through the Office of the State Superintendent of Education.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

Federal and Charter School Funding

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

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions

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

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

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

(c) Corporate Taxes:

Federal and State Income Taxes

The Next Step Public Charter School is exempt from federal and state income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia franchise and income taxes was granted to the Charter School effective July 10, 2000. The Charter School has been classified as other than a private foundation under Section 509(a)(3) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii).

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

Federal and State Income Taxes (Continued)

Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019 and 2018, the Charter School recognized \$3,953 and \$1,770, respectively, of income tax expense related to the filing of the 990-T tax returns. In addition, \$1,635 and \$759 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits for the years ended June 30, 2019 and 2018, respectively.

District of Columbia Real Estate Taxes and Sales Tax

Pursuant to District of Columbia Code, effective January 1, 2012, The Next Step Public Charter School campus is exempt from real property taxation. In addition, the Charter School was granted sales tax exemption on July 15, 2000.

(d) Government Grants:

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

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets without Donor Restrictions (Continued)

Designation of Net Assets - From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization. Board designated net assets at year-end were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Building Reserve	\$ 240,000	\$ 240,000
Scholarships	<u>157,078</u>	<u>23,484</u>
Total Board Designations	<u>\$ 397,078</u>	<u>\$ 263,484</u>

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions were available at year end for the following programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Breakthrough Schools DC	\$ 95,662	\$ 215,325
English as a Second Language	5,581	5,140
Student Leadership Ambassadors	3,800	-
Access and Success Grant	<u>1,500</u>	<u>-</u>
Total Net Assets Available	<u>\$ 106,543</u>	<u>\$ 220,465</u>

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by the occurrence of other events specified by donors for the following programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Breakthrough Schools DC	\$ 119,664	\$ 24,675
Scholarships	2,645	-
English as a Second Language	2,000	-
Training	1,000	-
Dual Enrollment	<u>-</u>	<u>20,000</u>
Total Net Assets Released from Restrictions	<u>\$ 125,309</u>	<u>\$ 44,675</u>

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense in the period they are received, except for donated fixed assets, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Copier	\$ 3,500	\$ -
School Supplies	<u>-</u>	<u>100</u>
Total	<u>\$ 3,500</u>	<u>\$ 100</u>

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

ADULT BASIC EDUCATION - TNSPCS offers literacy, numeracy and other academic content at all levels of ability to students, in both English and Spanish, with placement based upon pre-tests.

GED PREPARATION - The Charter School offers students who test above the 8th grade level the preparation, guidance and support necessary to pass the exam to attain the General Education Development (GED) certificate in English or Spanish. Students in day and night school study GED content and skills in their classes, and must pass a preliminary practice test before they take the official exam. The Charter School offers financial assistance to those students who pass the practice test when they register for the official GED.

ENGLISH LANGUAGE LEARNERS - The Charter School offers ESOL classes to English Language Learners (ELLs) in day and night school. Students learn the language skills that will enable them to navigate effectively within their school, their community, and the wider world.

LIFE SKILLS - The Charter School offers interactive workshops addressing sexual health education, substance abuse, financial literacy, immigration and cultural adaptation, and community involvement. Teachers encourage students to develop their abilities in such academic life skills as goal-setting, organization, initiative and self-advocacy, independent work and collaboration within each class.

COLLEGE AND CAREER READINESS - The CCR program is designed to help Charter School students and alumni make and implement short and long-term plans for post-secondary and vocational paths. Two full-time CCR specialists provide workshops on job readiness skills (resume-writing, interviewing, etc.), manage the dual enrollment program whereby students take courses at two local colleges while enrolled at TNSPCS and offer guidance on college, employment and vocations, as well as help students access financial resources to continue their education.

STUDENT SUPPORT SERVICES - Case managers complete an in-depth needs assessment of each student to evaluate what social, physical and emotional supports will enable the student to grow academically. Every student is assigned a case manager when they enroll at The Next Step. The department is made up of social workers, case managers, attendance and transportation coordinators and a resource and enrichment coordinator. Each of these service providers works with students individually and collectively to identify any areas of their psychosocial functioning that require support.

TUTORING PROGRAM/VOLUNTEERS - Both paid and volunteer tutors are an essential part of the Charter School program, and their involvement allows individualized instruction for students, enabling students to progress at their own pace. Tutors work during the day and night school as classroom aides, or as one-on-one tutors with students in the following subjects: ESOL, Reading and Language Arts, and Math. Bilingual tutors are also available.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student services, food service, student events, student transportation and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, other general expense, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses, including travel, meetings and development are generally allocated between general and administrative and program functions based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

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

(j) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(k) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(l) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at cost. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments - Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

(m) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

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

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(m) Change in Accounting Principles: (Continued)

- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

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

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

The Board of Directors has designated certain assets for the purpose of supporting various program services as well as for future property improvements and acquisitions. Because of these board designations, these funds are not considered to be available for general expenditures within the next year; however, the Board of Directors could make them available if necessary.

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 11,621,262
Certificates of Deposit	251,060
Grants and Accounts Receivable	28,400
Promises Receivable	<u>1,067</u>
Total Financial Assets	<u>\$ 11,901,789</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:	
Internal Board Designations:	
Building Reserve	\$ 240,000
Scholarships	<u>157,078</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 11,504,711</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Next Step Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2019, the Charter School had no accruals for interest and/or penalties.

4. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

Cash and Cash Equivalents

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Checking Accounts - Interest Bearing	\$ 11,320,160	\$ 12,652,079
Money Market Savings Accounts	<u>301,102</u>	<u>345,493</u>
Total	<u>\$ 11,621,262</u>	<u>\$ 12,997,572</u>

Certificates of Deposit

Certificates of deposit are valued at original cost plus reinvested interest. Balances at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Certificates of Deposit	<u>\$ 251,060</u>	<u>\$ 250,562</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

The Charter School maintains its operating funds in one financial institution in the form of interest bearing business checking accounts and money market savings accounts. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per financial institution, as well as account category. Deposits held in non-interest-bearing transaction accounts are aggregated with interest-bearing deposits and the combined total insured up to \$250,000.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT: (Continued)

As of June 30, 2019 and 2018, \$11,649,784 and \$13,022,515, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for the funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

5. FAIR VALUE MEASUREMENT:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurement*, establishes a framework for measuring fair value. Fair value is defined as 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. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

Level 3 - Inputs to the valuation methodology are unobservable (supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organization's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Interest Rate Swaps: Valued based on several market inputs such as interest rates, swap spreads and yield curves.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENT: (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School 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. The following table sets forth by level, within the fair value hierarchy, the Charter School's assets and liabilities measured at fair value as of June 30, 2019 and 2018.

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liability</u>				
Interest Rate Swap	\$ -	\$ (85,407)	\$ -	\$ (85,407)
Total	<u>\$ -</u>	<u>\$ (85,407)</u>	<u>\$ -</u>	<u>\$ (85,407)</u>
 <u>June 30, 2018</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Asset</u>				
Interest Rate Swap	\$ -	\$ 29,744	\$ -	\$ 29,744
Total	<u>\$ -</u>	<u>\$ 29,744</u>	<u>\$ -</u>	<u>\$ 29,744</u>

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Employee Receivable	\$ 4,152	\$ 8,208
Reimbursable Expenses	2,719	14,685
Rent	440	-
Interest Receivable	71	387
PayPal	<u>-</u>	<u>97</u>
Total Accounts Receivable	<u>\$ 7,382</u>	<u>\$ 23,377</u>

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Accounts and Grants Receivable (Continued)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Grants Receivable</u>		
E-Rate (USAC)	\$ 11,940	\$ 17,819
National School Lunch and Breakfast Program	5,733	8,403
Individuals with Disabilities Education Act	2,378	9,520
Child and Adult Care Food Program	528	2,496
Healthy Schools Act	439	676
DC School Choice Incentive (SOAR)	-	29,717
Elementary and Secondary Education, Title I	-	29,118
Elementary and Secondary Education, Title II	-	5,296
Elementary and Secondary Education, Title III	-	3,846
Elementary and Secondary Education, Title IV	<u>-</u>	<u>1,285</u>
 Total Grants Receivable	 <u>\$ 21,018</u>	 <u>\$ 108,176</u>
 Total Accounts and Grants Receivable	 <u>\$ 28,400</u>	 <u>\$ 131,553</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it throughout the year and at year end.

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

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Promises receivable at year end consisted of:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual Fund - Purpose Restricted	\$ 1,000	\$ -
General - Unrestricted	<u>67</u>	<u>2,740</u>
Total Promises Receivable	<u>\$ 1,067</u>	<u>\$ 2,740</u>

The above promises receivable is due to be received in less than one year.

7. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2019 and 2018 was \$390,023 and \$429,703, respectively. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2019

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	15-30 Years	\$ 9,058,602	\$ 2,118,094	\$ 6,940,508
Land	-	1,027,230	-	1,027,230
Computer and Office Equipment	3-5 Years	<u>1,029,836</u>	<u>827,096</u>	<u>202,740</u>
Total		<u>\$ 11,115,668</u>	<u>\$ 2,945,190</u>	<u>\$ 8,170,478</u>

June 30, 2018

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	15-30 Years	\$ 8,983,689	\$ 1,803,237	\$ 7,180,452
Land	-	1,027,230	-	1,027,230
Computer and Office Equipment	3-5 Years	<u>987,093</u>	<u>755,930</u>	<u>231,163</u>
Total		<u>\$ 10,998,012</u>	<u>\$ 2,559,167</u>	<u>\$ 8,438,845</u>

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities

8. INTEREST RATE SWAP:

On October 9, 2014, the Charter School entered into an interest rate swap agreement with SunTrust Bank for a notional amount equal to the obligation under the loan payable whereby a portion of the floating rate was swapped into a fixed rate. Under the agreement, the Charter School pays the bank interest at a fixed rate of 3.51% on the principal loan balance through the termination date of the swap agreement, which is October 1, 2021. The swap mechanism is intended to allow the Charter School to realize the potential benefit of a lower fixed rate by reducing the impact of market changes in the variable interest rate. Effective January 1, 2018, corporate tax rates lowered from 35% to 21%. Pursuant to the terms of the interest rate swap agreement, SunTrust Bank adjusted the interest rate to account for the effects of the lower income tax rate resulting in an after-tax yield equivalent to the yield earned prior to the income tax rate change. This adjustment resulted in approximately eighteen percent (18%) of the outstanding loan balance being subject to a variable interest rate. On August 1, 2018, the Charter School made a lump-sum principal payment on the loan which resulted in the entire loan being fully hedged at a fixed 3.51% interest rate. Interest expense related to the interest rate swap for the years ended June 30, 2019 and 2018 was \$6,051 and \$49,234, respectively. At June 30, 2019 and 2018, the fair value of the interest rate swap was (\$85,407) and \$29,744, respectively, and has been reflected as a liability and an asset, respectively, in the statements of financial position.

9. LOAN PAYABLE:

SunTrust Bank

On October 1, 2014, the District of Columbia issued and sold revenue bonds (The Next Step Public Charter School, Inc. Project, Series 2014) totaling \$7,820,000 to SunTrust Bank, the proceeds of which were loaned to the Charter School for the purpose of consolidating and refinancing all existing debt as it related to the purchase and renovation of the building and land located at 3047 15th Street, NW, Washington, DC.

The proceeds were utilized to extinguish debt with the Office of the State Superintendent of Education (OSSE), Building Hope and Manufacturers and Traders Bank (M & T Bank) in the total amount of \$7,723,975, as well as to assist in the financing of a portion of the related loan acquisition and closing costs in the amount of \$96,025. This note calls for consecutive monthly installments of principal and interest each payable over a seven (7) year period based on a twenty-five (25) year amortization.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. LOAN PAYABLE: (Continued)

SunTrust Bank (Continued)

Maturity on this mortgage is scheduled for October 1, 2021, at which point there is a balloon payment of any remaining outstanding principal and unpaid interest currently scheduled to be in the amount of \$5,175,015. Payments are to be made on a monthly basis. The initial monthly principal installment was due on November 1, 2014, in the amount of \$33,854. This loan bears interest on a variable basis at two-and-fifty-five percentage points (2.55%) above seventy percent (70%) of the sum of one-month LIBOR rate. Effective January 1, 2018, the loan bears interest on a variable basis at two-and-fifty-five percentage points (2.55%) above eighty-five percent (85%) of the sum of one-month LIBOR rate.

The Charter School entered into an interest rate swap agreement with SunTrust Bank to hedge floating rate exposure as more fully described in Note 8. The seven (7) year swap rate that was fixed at settlement was 3.51%. This loan is secured by the property located at 3047 15th Street, NW, Washington, DC, together with a security interest in the organization's assets. SunTrust Bank's security interest was recorded as the first deed of trust. As a condition of this loan, the Charter School must maintain a debt service ratio no less than 1.25 to 1.00 as well as unrestricted liquidity no less than \$1,500,000. The debt service ratio minimum was not met for the fiscal year ended June 30, 2019, however, SunTrust Bank provided a waiver.

The balance of this loan at June 30, 2019 and 2018, prior to netting debt issuance costs, was \$5,618,554 and \$7,054,986, respectively. Interest expense related to this loan for the years ended June 30, 2019 and 2018 was \$250,997 and \$277,895, respectively.

Future minimum required payments of principal and interest on this loan for the next three years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Loan Acquisition Cost Interest</u>
2020	\$ 192,817	\$ 44,980
2021	199,695	44,980
2022	<u>5,226,042</u>	<u>12,117</u>
Total	<u>\$ 5,618,554</u>	<u>\$ 102,077</u>

The Charter School made a lump-sum principal payment on the loan balance of \$1,243,670 on August 1, 2018.

Debt Issuance Costs

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the statements of functional expenses.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. LOAN PAYABLE: (Continued)

Debt Issuance Costs (Continued)

Long-term debt at June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Notes Payable	\$ 5,618,554	\$ 7,054,986
Less: Unamortized Debt Issuance Costs	<u>(102,077)</u>	<u>(147,057)</u>
Subtotal	\$ 5,516,477	\$ 6,907,929
Less: Current Portion - Principal	(192,817)	(226,276)
Less: Current Portion - Debt Issuance Amortization	<u>44,980</u>	<u>44,980</u>
Total Long-Term Debt, Less Current Portion	<u>\$ 5,368,640</u>	<u>\$ 6,726,633</u>

10. RENTAL REVENUE:

LAYC Career Academy Public Charter School

On December 19, 2011, The Next Step Public Charter School entered into a noncancelable operating lease to rent space to the Latin American Youth Center Career Academy Public Charter School for space located at 3047 15th Street, NW, Washington, DC. This lease commenced on August 1, 2012, and expired on August 11, 2017. Quarterly rental payments were required. Rent payments at the time of the original lease signing were to be 100% of the per pupil facilities allotment received by the Latin American Youth Center Career Academy Public Charter School from the District of Columbia. The lease required a minimum base rent of \$270,000 for year one, \$405,000 for year two, and \$540,000 for each remaining year of the lease. This lease required a security deposit of \$70,000, which was maintained in a separate interest bearing savings account.

During the year ended June 30, 2017, a first amendment to the lease was signed which renegotiated the monthly rental payments required for the period August 1, 2016, through August 11, 2017. The new rate was a 2.75% increase over the prior year amount. This lease ended on August 11, 2017.

Rental revenue recognized related to this lease for the year ended June 30, 2018, was \$58,591.

There was also \$8,400 and \$14,418 of revenue received for parking and space rentals on a month-to-month basis for the years ended June 30, 2019 and 2018, respectively. Total rental revenue for the years ended June 30, 2019 and 2018 was \$8,400 and \$73,009, respectively. Rental expenses related to these leases were \$69,377 for the year ended June 30, 2018.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School’s fiscal management and academic acceptability. The contract dated July 1, 2011, provides for a 15-year charter unless sooner terminated in accordance with the contract. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that The Next Step Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review The Next Step Public Charter School’s charter every five years, which occurred during 2016. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 18/19 and 17/18 school years) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2019 and 2018, the Charter School incurred \$77,223 and \$88,246, respectively, in administrative fees.

The charter contract provides that The Next Step Public Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2019, was not permitted to be greater than 500 students. Audit enrollment for the 2018/2019 year was 379 students and enrollment for the 2017/2018 year was 418 students.

12. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2019, the per-student rate was \$15,348 for the alternative educational allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per-student rate was \$14,770 for the alternative educational allotment and \$3,193 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Alternative Education	\$ 5,816,711	\$ 6,173,893
Facilities Allowance	1,236,676	1,334,560
English as a Second Language	1,159,377	1,266,534
Special Education	116,869	62,917
Teachers Collective Bargaining	<u>-</u>	<u>139,923</u>
Total	<u>\$ 8,329,633</u>	<u>\$ 8,977,827</u>

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

13. FEDERAL ENTITLEMENTS AND GRANTS:

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
DC School Choice Incentive (SOAR)	\$ 82,169	\$ 400,889
Elementary and Secondary Education, Title I	45,265	181,777
National School Lunch and Breakfast Program	38,065	35,071
Individuals with Disabilities Education Act	29,702	41,548
Child and Adult Care Food Program	10,812	25,092
Elementary and Secondary Education, Title II	8,232	34,873
Elementary and Secondary Education, Title III	5,980	59,428
Donated Commodities	4,594	-
Elementary and Secondary Education, Title IV	<u>1,997</u>	<u>8,004</u>
Total	<u>\$ 226,816</u>	<u>\$ 786,682</u>

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

14. COMMITMENTS:

Building Lease

The Next Step Public Charter School entered into a lease agreement with CentroNia, effective for a two-year period commencing on August 1, 2015, and ending on July 31, 2017, for the rental of the third floor of a building located at 1420 Columbia Road, NW, Washington, DC. Monthly lease payments of \$14,322 began on August 1, 2015. The lease called for a yearly escalation of 3% effective on the first day of August. CentroNia did not exercise its option to renew this lease. This lease ended August 31, 2017. As an additional requirement of this lease agreement, a rental security deposit in the amount of \$28,644 was required. Rental expense for the year ended June 30, 2018, was \$29,503.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS:

Guarantee of Indebtedness

The Charter School utilizes credit cards issued by SunTrust Bank for purchases related to the organization's activity. The credit cards are issued in the name of the Charter School with a total credit limit of \$105,000, however the debt is guaranteed by employees of the Charter School.

Board of Directors

One of the directors appointed to serve on the board of directors is an alumnus representative. Two staff representatives are also appointed to the board.

16. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2019 and 2018, ninety-six percent (96%) and eighty-nine percent (89%), respectively, of total support, excluding donated services, was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

17. CONTINGENCIES:

The Charter School was granted its initial charter by the District of Columbia Board of Education and then later reaffirmed by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding of funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. CONTINGENCIES: (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

Accrual for Unemployment Claims

The Charter School had originally elected to be self-insured against potential unemployment compensation claims. Under this arrangement, benefits paid by the DC Department of Employment Services to employees eligible for unemployment benefits are reimbursed by the Charter School to the Department, rather than paying contributions at a predetermined rate. At June 30, 2018, the accrued unemployment claims of \$2,740, as reflected in the statement of financial position, represent the Charter School's best estimate of the probable costs of claims. It is reasonably possible that the Charter School's estimate of the accrued liability will change in the near term. The Charter School changed from self-insured to the contributory method effective January 1, 2014.

Litigation

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no pending significant legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

18. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 6, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

19. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$48,606 and \$30,661, respectively.

THE NEXT STEP PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

20. ADVERTISING:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of staff recruitment, promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Marketing expenses in the amount of \$41,079 and \$46,553 were incurred during the years ended June 30, 2019 and 2018, respectively.

21. RETIREMENT PLAN:

403(b) Plan

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by TIAA-CREF. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code. The Charter School is required to make employer non-elective safe harbor contributions of three percent (3%) of annual employee compensation for employees with one or more years of employment. The Charter School contributed a dollar for dollar match up to two percent (2%) of an employee's gross salary for individuals employed for one to two years. The Charter School contributed a dollar for dollar match up to four and a half percent (4.5%) of an employee's gross salary for employees with three or more years of employment. The employer expense for the years ending June 30, 2019 and 2018 was \$181,066 and \$159,654, respectively.

22. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2019 and 2018, consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 382,962	\$ 368,076
Health and Dental Insurance	460,908	343,240
Disability Insurance	34,614	20,531
Retirement	181,066	159,654
Unemployment	18,735	27,490
Paid Leave Tax	8,010	-
Workers Compensation	29,505	24,377
Life Insurance	7,333	5,005
Plan Administration Fees	800	1,035
Benefits Allocated to Rental Expense	<u>-</u>	<u>(3,709)</u>
Total	<u>\$ 1,123,933</u>	<u>\$ 945,699</u>

Flexible Benefits Plan

The Next Step Public Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health and dental insurance premiums.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
The Next Step Public Charter School
3047 15th Street, NW
Washington, DC 20009

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Next Step Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Next Step Public Charter 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 Next Step Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

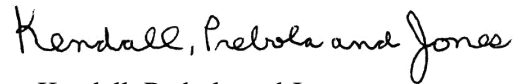
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 6, 2019

THE NEXT STEP PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

THE NEXT STEP PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of The Next Step Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of The Next Step Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

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

There were no findings in the current year.

THE NEXT STEP PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
Kaiser Permanente	Health Insurance Services	546,778	no
SunTrust Bank	Financial Services	246,603	no
TIAA - CREF	Financial Services	177,069	no
Luncheras Di Si, LLC	Food Services	116,491	no
Edops	Financial Services	113,604	no
ACSA Group Insurance	Insurance Services	103,136	no
Fidelity Mechanical Services	General Contracting Services	94,453	no
SecureMedy, Inc.	Staffing Services	77,095	no
Creative Ways, LLC	Contracted Staffing Services	62,938	no
FCS	IT Services	62,784	no
Pepco	Utilities	62,748	no
Sprint PCS	Utilities	61,769	no
Delta-T Group Virginia, Inc.	Contracted Staffing Services	52,282	no
AmexGiftCard.com	Gift Cards	51,594	no
The Hartford	Insurance Services	44,042	no
Ana G. Méndez University System	Tuition	43,203	no
Verizon Wireless	Utilities	43,060	no
Manpower	Staffing Services	41,059	no
Outfront Media	Advertising Services	40,555	no
OverDrive, Inc.	Supplies	40,222	no
Amazon.com	Supplies	38,794	no
EdFuel	Talent Management Services	37,093	no
Staples Business Advantage	Office Supplies	33,066	no
Office Equipment Management, Inc.	Office Supplies	30,381	no
Kendall, Prebola and Jones, LLC	Auditor	29,679	no
CDW Government, Inc.	IT Supplies	29,679	no
Indeed	Recruitment Services	26,449	no
Spilled Milk Catering	Food Services	26,345	no
Intuit	Financial Services	26,220	no
Sage Wellness Group, LLC	Professional Development	25,775	no