

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL

WASHINGTON, DC

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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
Statement of Financial Position, June 30, 2021	3
Statement of Activities, for the Year Ended June 30, 2021	4
Statement of Functional Expenses, for the Year Ended June 30, 2021	5-6
Statement of Cash Flows, for the Year Ended June 30, 2021	7
Notes to Financial Statements	8-23
<u>Supplemental Information:</u>	
Schedule 1 - Schedule of Expenditures of Federal Awards, for the Year Ended June 30, 2021	24-25
Notes to Schedule of Expenditures of Federal Awards	26-27
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>	28-29
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	30-31
Summary Schedule of Prior Audit Findings, for the Year Ended June 30, 2021	32
Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2021	33
<u>Non-Accounting Information:</u>	
Schedule of Contracts Awarded in Excess of \$25,000 for the Year Ended June 30, 2021	34

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Capital Village Public Charter School
705 Edgewood Street, NE
Washington, DC 20017

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Village Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Capital Village Public Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Supplementary Information**

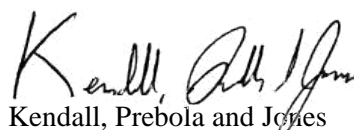
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements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

Other Information

We have audited the financial statements of Capital Village Public Charter School as of and for the year ended June 30, 2021, and our report thereon dated December 6, 2021, expressed an unmodified opinion on those financial statements. Our audit was 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, 2021, on our consideration of Capital Village 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Capital Village 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 Capital Village Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 6, 2021

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 310,446
Accounts Receivable	66,037
Promises Receivable	78,328
Prepaid Expenses	<u>8,695</u>
 Total Current Assets	 <u>\$ 463,506</u>

Fixed Assets:

Leasehold Improvements	\$ 206,401
Furniture, Fixtures and Equipment	35,077
Computers	57,888
Accumulated Depreciation and Amortization	<u>(26,302)</u>
 Total Fixed Assets	 <u>\$ 273,064</u>

Other Assets:

Deposits	<u>\$ 53,552</u>
 Total Other Assets	 <u>\$ 53,552</u>

TOTAL ASSETS	<u><u>\$ 790,122</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 71,847
Accrued Vacation and Salaries	<u>125,270</u>
 Total Current Liabilities	 <u>\$ 197,117</u>

Long-Term Liabilities:

Deferred Rent	<u>\$ 309,123</u>
 Total Long-Term Liabilities	 <u>\$ 309,123</u>
 Total Liabilities	 <u>\$ 506,240</u>

Net Assets/(Deficit):

Without Donor Restrictions	\$ 283,882
With Donor Restrictions - Time or Purpose Restricted	<u>-</u>
 Total Net Assets/(Deficit)	 <u>\$ 283,882</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 790,122</u></u>
----------------------------------	--------------------------

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Other Support:</u>			
Tuition - Per Pupil Funding Allocation	\$ 1,213,981	\$ -	\$ 1,213,981
Tuition - Per Pupil Facilities Allocation	173,808	-	173,808
Contributions - Federal Government	823,776	-	823,776
Contributions - State Government	85,728	-	85,728
Contributions - Paycheck Protection Program	4,508	-	4,508
Private Grants and Contributions	319,877	26,200	346,077
Donated Materials	1,400	-	1,400
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>26,200</u>	<u>(26,200)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 2,649,278</u>	<u>\$ -</u>	<u>\$ 2,649,278</u>
<u>Expenses:</u>			
Educational Services	\$ 2,191,008	\$ -	\$ 2,191,008
General and Administrative	309,441	-	309,441
Fundraising	<u>44,748</u>	<u>-</u>	<u>44,748</u>
Total Expenses	<u>\$ 2,545,197</u>	<u>\$ -</u>	<u>\$ 2,545,197</u>
Changes in Net Assets	\$ 104,081	\$ -	\$ 104,081
Net Assets, Beginning of Year	<u>179,801</u>	<u>-</u>	<u>179,801</u>
Net Assets, End of Year	<u>\$ 283,882</u>	<u>\$ -</u>	<u>\$ 283,882</u>

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>				
Salaries	\$ 1,044,973	\$ 930,889	\$ 92,460	\$ 21,624
Employee Benefits	60,201	53,628	5,327	1,246
Payroll Taxes	87,377	77,839	7,731	1,807
Professional Development	42,228	38,726	3,502	-
Travel and Meetings	<u>21,090</u>	<u>19,341</u>	<u>1,749</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 1,255,869</u>	<u>\$ 1,120,423</u>	<u>\$ 110,769</u>	<u>\$ 24,677</u>
<u>Direct Student Costs:</u>				
Supplies and Materials	\$ 24,938	\$ 24,938	\$ -	\$ -
Contracted Instruction Fees	125,313	125,313	-	-
Textbooks	25,359	25,359	-	-
Food Service/Catering	26,541	26,541	-	-
Student Assessments	7,150	7,150	-	-
Other Student Costs	<u>36,131</u>	<u>36,131</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 245,432</u>	<u>\$ 245,432</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Expenses:</u>				
Rent	\$ 661,470	\$ 593,200	\$ 53,640	\$ 14,630
Maintenance and Repairs	13,142	11,785	1,066	291
Utilities	7,623	6,837	618	168
Janitorial Supplies	2,781	2,494	226	61
Contracted Building Services	80,475	72,169	6,526	1,780
Leasehold Improvement Amortization	<u>11,338</u>	<u>10,168</u>	<u>919</u>	<u>251</u>
Total Occupancy Costs	<u>\$ 776,829</u>	<u>\$ 696,653</u>	<u>\$ 62,995</u>	<u>\$ 17,181</u>

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>				
Office Supplies and Materials	\$ 37,055	\$ 33,230	\$ 3,005	\$ 820
Equipment Rental	9,285	8,327	753	205
Telecommunications	23,255	20,855	1,886	514
Professional Fees	97,123	7,340	89,783	-
Postage and Shipping	1,033	926	84	23
Computer and Related	<u>26,354</u>	<u>23,635</u>	<u>2,136</u>	<u>583</u>
Total Office Expenses	<u>\$ 194,105</u>	<u>\$ 94,313</u>	<u>\$ 97,647</u>	<u>\$ 2,145</u>
<u>General Expenses:</u>				
Insurance	\$ 23,036	\$ -	\$ 23,036	\$ -
Interest	6,625	-	6,625	-
Administrative Fee	20,332	18,646	1,686	-
Depreciation	15,769	14,141	1,279	349
Fees and Licenses	3,565	-	3,565	-
Other General Expenses	<u>3,635</u>	<u>1,400</u>	<u>1,839</u>	<u>396</u>
Total General Expenses	<u>\$ 72,962</u>	<u>\$ 34,187</u>	<u>\$ 38,030</u>	<u>\$ 745</u>
Total Functional Expenses	<u>\$ 2,545,197</u>	<u>\$ 2,191,008</u>	<u>\$ 309,441</u>	<u>\$ 44,748</u>

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities:

Changes in Net Assets	\$ 104,081
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation and Amortization	27,107
Loss on Disposal of Fixed Assets	1,828
Accounts Receivable - (Increase)/Decrease	(66,037)
Promises Receivable - (Increase)/Decrease	(53,244)
Prepaid Expenses - (Increase)/Decrease	41,206
Accounts Payable - Increase/(Decrease)	58,825
Accrued Vacation and Salaries - Increase/(Decrease)	95,225
Refundable Advance - Increase/(Decrease)	(4,508)
Deferred Rent - Increase/(Decrease)	<u>309,123</u>
Net Cash Flows from Operating Activities	<u>\$ 513,606</u>

Cash Flows from Investing Activities:

Purchase of Fixed Assets	<u>\$ (275,989)</u>
Net Cash Flows from Investing Activities	<u>\$ (275,989)</u>
Net Increase in Cash and Cash Equivalents	\$ 237,617
Cash and Cash Equivalents at Beginning of Year	<u>72,829</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 310,446</u></u>

Supplemental Disclosures:

- a) Interest in the amount of \$6,625 was paid during the year ended June 30, 2021.
- b) No income taxes were paid during the year ended June 30, 2021.

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION:

Capital Village Public Charter School (Capital Village PCS), a District of Columbia Not-for-Profit Corporation was incorporated on May 8, 2017. Our philosophy and values are grounded in years of high-level academic research, intensive investigation of successful models, and extensive on-the-ground community engagement, and they are designed to disrupt educational inequity. Our school model rejects the system of “haves” and “have-nots” that too often surrounds our public schools. Both our academic program and school environment are born out of an urgent need to rethink a status quo where some students excel, but others fall through the cracks.

Basic Programs

Capital Village PCS is a small learning community where learners take the lead, grow together, and change the world. We are an intentionally small middle school with no more than 45 students per grade level and two teachers in our classrooms. Our community is a village focused on the interests, needs, and ambitions of each individual learner so that all learners can grow. We teach rigorous content through student-led projects that blend Common Core standards with local social justice problems which students are empowered to design solutions for.

We provide plenty of time during the school day for students to develop their talents, interests, and passions through student-led “passion projects” in courses like Dance, Entrepreneurship and Art.

As an intentionally small community focused on the whole child, Capital Village PCS is a personalized learning space where all students, regardless of background or circumstance, are propelled toward greatness in college, career, and life.

2. 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:

Contributions

The Charter School has implemented the accounting and reporting standards surrounding contributions. These standards affect financial statement reporting and disclosures included within the body of the financial statements. The standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (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.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial items).

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

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

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

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.

Government Grants

The Charter School receives grants from federal and state governmental agencies for the purpose of providing a social benefit to the general public. Pursuant to the implementation of the accounting standard ASU No. 2018-08, government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the Charter School to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivables are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended as of year-end, are reflected as a refundable advance.

(c) Corporate Taxes:

The Capital Village 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 income taxes was granted to the Charter School effective May 8, 2017. The Charter School has been classified as other than a private foundation under Section 509(a)(1) 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 Charter School did not have any net unrelated business income for the year ended June 30, 2021.

(d) 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:

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Net Assets: (Continued)

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and over which the Board of Trustees 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.

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.

There were no net assets with donor restrictions available at June 30, 2021.

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

	<u>June 30, 2021</u>
Professional Development	\$ 20,200
Panorama Education Platform	4,000
Science Kits	<u>2,000</u>
 Total Net Assets Released from Restrictions	 <u>\$ 26,200</u>

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Donated Services, Materials and Facilities:

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 for professional services are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

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

	<u>June 30, 2021</u>
Projector Carts	<u>\$ 1,400</u>

(f) 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 instructional services, food service, student supplies, 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.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Functional Expense Allocation Policies and Procedures: (Continued)

- 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 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.

(g) 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.

(h) 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.

(i) 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 and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

3. 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 from time to time 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 are generally included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

June 30, 2021

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 310,446
Accounts Receivable	66,037
Promises Receivable	<u>78,328</u>

Total Financial Assets	<u>\$ 454,811</u>
------------------------	-------------------

Less Amounts Not Available for General Expenditure Within One Year:	\$ _____ -
--	------------

Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 454,811</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. In addition, the Charter School invests cash in excess of daily requirements in short-term investments through a repurchase agreement which invests in demand deposit accounts.

4. 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 Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2021, 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, 2021, the statute of limitations for tax years 2017 through 2019 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, 2021, the Charter School had no accruals for interest and/or penalties.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS:

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

	<u>June 30, 2021</u>
Non-Interest Bearing Checking Account	\$ 310,346
Cash on Hand	<u>100</u>
Total	<u>\$ 310,446</u>

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

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

As of June 30, 2021, \$69,437 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.

6. ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

Accounts receivable are considered to be fully collectible by management. Balances at year end consisted of the following:

	<u>June 30, 2021</u>
Per Pupil Funding	\$ 23,948
Real Estate Taxes	41,363
Expense Reimbursements	<u>726</u>
Total	<u>\$ 66,037</u>

The Charter School's accounts 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 the Charter School throughout the year and at year end.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Accounts Receivable (Continued)

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible 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 that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectible once management determines that available collection efforts have been exhausted.

Promises Receivable

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. 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. Promises receivable at year end consisted of:

	<u>June 30, 2021</u>
DC Reopening Grant	\$ 59,759
ESEA Title VB	7,226
NCLB Entitlement Funds	6,629
CARES Act Funds	2,272
National School Lunch Program	2,413
Healthy Schools Act	<u>29</u>
Total	\$ <u>78,328</u>

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

The Charter School received the following conditional promise to give that is not recognized as an asset in the financial statements:

	<u>June 30, 2021</u>
ESEA Title VB	\$ <u>23,088</u>

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

7. FIXED ASSETS:

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is reflected in revenues for the period. Depreciation and amortization have been provided on the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense for the year ended June 30, 2021, was \$27,107. 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, 2021

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net Book Value</u>
Furniture and Equipment	5 Years	\$ 35,077	\$ 4,033	\$ 31,044
Computers and Software	3-5 Years	57,888	10,931	46,957
Leasehold Improvements	Lease Term	<u>206,401</u>	<u>11,338</u>	<u>195,063</u>
Total		<u>\$ 299,366</u>	<u>\$ 26,302</u>	<u>\$ 273,064</u>

8. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as a deferred rent in the accompanying statements of financial position. The Charter School entered into an operating lease agreement, as more fully discussed in Note 14, for the rental of space at the 705 Edgewood Street, NE, Washington, DC. As a result of this agreement, a net amount of \$309,123 representing future payments has been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of the unamortized deferred rent at June 30, 2021, was \$309,123.

9. 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, 2020, provides for a 15-year charter effective the date of first operation. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that Capital Village 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 charter every five years. 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.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

9. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

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 20/21 school year) 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 year ended June 30, 2021, the Charter School incurred \$20,332 in administrative fees.

The charter contract provides that the 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, 2021, was 1,000 students. Actual enrollment for the 2020/2021 year was 51 students.

10. 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, 2021, the per pupil rate ranged from \$11,310 to \$12,215 for the educational allotment and \$3,263 for the facility allotment. Additional allotments were given for Special Education needs and At Risk Students. The number of equivalent full-time students for the years ended June 30, 2021, was 51. Per-pupil funding for the year ended June 30, 2021, was as follows:

	<u>June 30, 2021</u>
General Education	\$ 623,610
Special Education	520,603
English as a Second Language	11,084
At Risk	58,684
Facilities Allowance	<u>173,808</u>
Total	<u>\$ 1,387,789</u>

11. FEDERAL ENTITLEMENTS AND GRANTS:

During the year ended June 30, 2021, the Charter School participated in the following federal award programs:

	<u>June 30, 2021</u>
Title VB	\$ 678,809
No Child Left Behind - Entitlement Funds	71,203
CARES Act Funding	37,501
National School Lunch and Breakfast Program	16,828
Individuals with Disabilities Education Act (IDEA)	<u>19,435</u>
Total	<u>\$ 823,776</u>

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

12. PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Management of the Charter School anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and will be recognized as contribution revenue as the qualified expenses are incurred. The Charter School applied for and received a total amount of loan proceeds in the amount of \$43,100 on May 14, 2020. During the year ended June 30, 2020, proceeds in the amount of \$38,592 had been recognized as contribution income since the conditions upon which the loan proceeds provided had been substantially met. During the year ended June 30, 2021, the Charter School had expended the remaining funds in accordance with the program, therefore, \$4,508 was recognized as revenue during the year.

13. LINE OF CREDIT:

The Charter School obtained a line of credit during the year through City First Enterprises with a maximum amount available of \$157,500. This credit line originated on July 10, 2020. During the year ended June 30, 2021, the Charter School drew down \$152,331 on this credit line and also paid all of this back during the year. The line of credit matured on April 10, 2021, and had no balance at June 30, 2021. The interest rate was 8% per annum and interest paid during the year was \$6,625.

14. COMMITMENTS:

Building Lease - 705 Edgewood Street, NE

On February 4, 2020, the Charter School entered into a lease agreement with 705 Edgewood Associates, LLC, for its school location at 705 Edgewood Street, NE, Washington, DC. The monthly base rent in year 1 was \$22,309 with payments beginning on July 1, 2020. The lease term extends for 15 years, through June 30, 2035, and includes approximately 21,854 square feet of space. The monthly base rent increases each year during the lease to a monthly amount of \$59,593 in the final year of the lease. In addition to the base rent, in each subsequent lease year, minimum rent shall increase by the percentage increase (if any) in the Washington DC Office of the State Superintendent of Education ("OSSE") per pupil facilities allowance funding in effect as of the date of lease.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

14. COMMITMENTS: (Continued)

Building Lease - 705 Edgewood Street, NE (Continued)

In addition to the increase described in the foregoing sentence, in the event that for a given lease year the number of enrolled students confirmed by OSSE is greater than 188, then on or before December 1st of each lease year during the term, tenant shall pay to the Landlord an amount equal to (i) with respect to the first 4 students enrolled and confirmed by the OSSE above 188 total students, the total per pupil facilities allowance funding received by tenant from OSSE for such students (i.e., for student 189 up to and including student 192) and (ii) with respect to the number of students enrolled and confirmed by OSSE (if any) above 192 total students, to the extent that the total per pupil facilities allowance funding received by tenant from OSSE for such lease year exceeds the aggregate minimum rent, common area maintenance charge, and any taxes paid by tenant for which tenant does not receive an exception credit or refund, if any, for such lease year (such excess amount, the "Excess Facilities Allowance") the per pupil facilities allowance funding received by tenant from OSSE for such students (i.e., the 193rd student and each student thereafter) up to the amount of the Excess Facilities Allowance. In addition, the Charter School is also responsible for a monthly common area maintenance charge of \$6,611 and tax charge of \$3,424. Rent expense related to this lease for the year ended June 30, 2021, was \$576,835. Future required minimum rental lease payments with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Cash Payment</u>
2022	\$ 576,835	\$ (148,496)	\$ 428,339
2023	576,835	(41,412)	535,423
2024	576,835	(41,412)	535,423
2025	576,835	(41,412)	535,423
2026	576,835	12,131	588,966
Thereafter	<u>5,191,512</u>	<u>569,724</u>	<u>5,761,236</u>
Total	<u>\$ 8,075,687</u>	<u>\$ 309,123</u>	<u>\$ 8,384,810</u>

Operating Lease - Photocopiers

The Charter School maintains an operating lease for a copier. The lease term is for 36 months, with monthly lease payments of \$499. Equipment rental expense totaled \$5,988 for the year ended June 30, 2021. Future minimum payments due under this lease are as follows:

<u>Year Ending June 30,</u>	<u>June 30, 2021</u>
2022	\$ 5,988
2023	<u>5,988</u>
Total	<u>\$ 11,976</u>

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

15. FUNDRAISING:

Expenses incurred during the year ended June 30, 2021, for purposes of fundraising were \$44,748.

16. CONCENTRATIONS:

Revenues

The Charter School receives public funds from the District of Columbia 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. For the year ended June 30, 2021, fifty-three percent (53%) 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, special education, and Title Vb) 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:

Compliance and Accountability

The Charter School was granted its initial charter 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.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

17. CONTINGENCIES: (Continued)

Compliance and Accountability (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. Any future change in dynamics could adversely affect the operations of public charter schools.

Litigation

From time to time, the Charter School may be involved in routine litigation that arises in the ordinary course of business. There are no significant pending 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.

Pandemic

The Charter School has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Charter School is closely monitoring its operations as well as the potential effects on its 2021/2022 academic year and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Charter School's financial position is not known.

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, 2021, 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.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS:

Contributions

Various board members of the Charter School and organizations for which they are affiliated made contributions to the Charter School. Such contributions of \$1,000 were made during the year ended June 30, 2021.

20. RETIREMENT PLAN:

403(b) Profit Sharing Plan

The Charter School provides pension benefits for its employees through a defined contribution 403(b) retirement plan which is currently administered by Lincoln Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for employees to contribute up to the statutory limits set by the Internal Revenue Code. All employees are eligible to participate upon completing twelve (12) months of service. Plan provisions call for an employer discretionary match. The employer determines in its sole discretion how much, if any, it makes as an employer contribution. There was no employer contribution for the year ended June 30, 2021. Plan provisions and contribution requirements are established and may be amended by the board members of the Charter School. Employees are fully vested immediately. There is no unfunded past service liability.

21. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the year ended June 30, 2021, consisted of the following:

	<u>June 30, 2021</u>
Social Security/Medicare	\$ 75,291
Health Insurance	52,651
Life and Disability Insurance	4,490
Unemployment	6,331
Workers Compensation	3,059
Universal Paid Leave Tax	<u>5,756</u>
Total	<u>\$ 147,578</u>

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Period of Award	Grant Receivable at 7/1/20	Current Year Activity		Grant Receivable at 6/30/21
						Receipts	Expenditures	
U.S. Department of Education:								
Passed Through the District of Columbia								
Office of the State Superintendent of Education:								
Special Education Cluster:								
Special Education - Grants to States (IDEA, Part B, Section 611)	84.027A	611-B2027A	\$ 19,435	07/01/20 to 09/30/21	\$ -	\$ 19,435	\$ 19,435	\$ -
Total Special Education Cluster					\$ -	\$ 19,435	\$ 19,435	\$ -
Title I-A Basic Grants to Local Education Agencies	84.010A	84.010A	\$ 50,631	07/01/20 to 09/30/21	\$ -	\$ 44,002	\$ 50,631	\$ 6,629
Title VB Charter Schools Planning	84.282A	VB.282A	\$ 435,000	05/20/19 to 11/19/20	21,462	143,359	121,897	-
Title VB Charter Schools Implementation	84.282	VB.282A	\$ 580,000	05/20/19 to 09/30/21	-	549,686	556,912	7,226
Title II-A Improving Teacher Quality Grants	84.367A	84.367A	\$ 10,572	07/01/20 to 09/30/21	-	10,572	10,572	-
Title IV-A Student Support and Academic Enrichment Grants	84.424A	84.424A	\$ 10,000	07/01/20 to 09/30/21	-	10,000	10,000	-
Coronavirus Aid, Relief, and Economic Security Act	84.425D	A3SERF	\$ 34,123	10/01/20 to 09/30/21	-	31,851	34,123	2,272
Coronavirus Aid, Relief, and Economic Security Act	84.425D	N/A	\$ 7,000	03/13/20 to 09/30/20	3,622	7,000	3,378	-
Total U.S. Department of Education					\$ 25,084	\$ 815,905	\$ 806,948	\$ 16,127
U.S. Department of Agriculture:								
Passed Through the District of Columbia								
Office of the State Superintendent of Education:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/20 to 06/30/21	\$ -	\$ 5,206	\$ 6,070	\$ 864
National School Lunch Program	10.555	N/A	N/A	07/01/20 to 06/30/21	-	9,209	10,758	1,549
Total Child Nutrition Cluster					\$ -	\$ 14,415	\$ 16,828	\$ 2,413
Total U.S. Department of Agriculture					\$ -	\$ 14,415	\$ 16,828	\$ 2,413
Total Federal Awards					\$ 25,084	\$ 830,320	\$ 823,776	\$ 18,540

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 50,631
Special Education - Grants to States (IDEA, Part B, Section 611)	84.027A	19,435
Title V, Part B, Charter Schools Planning	84.282A	121,897
Title V, Part B, Charter Schools Implementation	84.282	556,912
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	10,000
Coronavirus Aid, Relief, and Economic Security Act	84.425D	37,501
Title II, Part A, Improving Teacher Quality Grants	84.367A	10,572
School Breakfast Program	10.553	6,070
National School Lunch Program	10.555	<u>10,758</u>
Total Federal Awards		<u>\$ 823,776</u>

(See Accompanying Notes and Auditor's Report)

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 2021. The information in this 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). Because the schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on 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 expenditures are not allowable or are limited as to reimbursement.

The Charter School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Pass-Through Funds:

The Charter School did not pass through any federal funds to subrecipients.

Note 4 - Major Program Selection:

The major Federal Award Programs selected for testing are as follows:

U.S. Department of Education

- Title V, Part B, Charter Schools Planning
- Title V, Part B, Charter Schools Implementation

The requirements of the Office of Management and Budget Uniform Guidance require that all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For Capital Village Public Charter School, the program subject to these requirements is as listed above. The total expenditures of this program represent 82.40% of the total federal expenditures.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Note 4 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of</u> <u>Expenditures</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$ 50,631
Special Education - Grants to States (IDEA, Part B, Section 611)	84.027A	19,435
Title V, Part B, Charter Schools Planning	84.282A	121,897*
Title V, Part B, Charter Schools Implementation	84.282	556,912*
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	10,000
Coronavirus Aid, Relief, and Economic Security Act	84.425D	37,501
Title II, Part A, Improving Teacher Quality Grants	84.367A	10,572
School Breakfast Program	10.553	6,070
National School Lunch Program	10.555	<u>10,758</u>
Total Federal Awards		<u>\$ 823,776</u>

* Denotes Major Program

Note 5 - Major Program Disclosure:

I. U.S. Department of Education

- 1) Title V, Part B, Charter Schools Planning
- 2) Title V, Part B, Charter Schools Implementation

The programs support the planning, development, and initial implementation, and replication of charter schools and the dissemination of information on charter schools.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Capital Village Public Charter School
705 Edgewood Street, NE
Washington, DC 20017

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 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 the Capital Village Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Village Public Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Capital Village Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

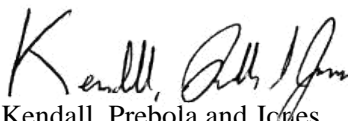
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Capital Village 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 financial statements. 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, 2021

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Capital Village Public Charter School
705 Edgewood Street, NE
Washington, DC 20017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Capital Village Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Capital Village Public Charter School's major federal programs for the year ended June 30, 2021. Capital Village Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and 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 Capital Village Public Charter 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 Capital Village Public Charter 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 Capital Village Public Charter School's compliance.

Opinion on Each Major Federal Award Program

In our opinion, Capital Village 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, 2021.

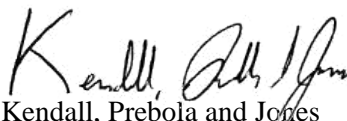
Report on Internal Control Over Compliance

Management of Capital Village Public Charter 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 Capital Village Public Charter 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 Capital Village Public Charter 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 a 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.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 6, 2021

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

There were no audit findings in the prior year.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of Capital Village Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of Capital Village Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal awards program have been reported.
- e. The auditor's report on compliance for the major federal awards program for Capital Village Public Charter School expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance in the schedule of findings and questioned costs.
- g. The programs tested as major programs of the Capital Village Public Charter School were as follows:

<u>Programs</u>	<u>CFDA #</u>
Title V, Part B, Charter Schools Planning	84.282A
Title V, Part B, Charter Schools Implementation	84.282

- h. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
- i. The Capital Village Public Charter School was determined to be a high-risk auditee.

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.

III. Findings relating to federal awards, which are required to be reported in accordance with the *Uniform Guidance*

There were no findings in the current year.

CAPITAL VILLAGE PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2021

<u>Vendor Name</u>	<u>Services/Items Provided</u>	<u>Effective Date</u>	<u>Low Value</u>	<u>High Value</u>	<u>Conflict of Interest</u>
Staples	Chromebooks and Laptops	7/1/2021	18,000	50,000	no
Service Industries, LLC	Janitorial	7/27/2020	70,000	90,000	no
EdOps	Financial and Accounting Services	7/27/2020	48,000	60,000	no
Luncheras Di Si, LLC	Food Service	8/3/2020	80,000	120,000	no
Staples	Furniture	7/1/2020	20,000	69,000	no
Dynamic Network Solutions	WiFi	7/1/2020	8,000	45,000	no
Staples	Chromebooks	7/1/2020	20,000	60,000	no
Turner Development, LLC	Pre-Construction and General Contracting Services	5/5/2020	130,000	175,000	no
Urban Teacher Center	Staffing	7/2/2020	0	30,500	no