

DIGITAL PIONEERS ACADEMY
PUBLIC CHARTER SCHOOL

WASHINGTON, DC

COMPARATIVE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020	3
Comparative Statements of Activities, For the Years Ended June 30, 2021 and 2020	4
Comparative Statements of Functional Expenses, For the Years Ended June 30, 2021 and 2020	5-6
Comparative Statements of Cash Flows, For the Years Ended June 30, 2021 and 2020	7
Notes to Financial Statements	8-28
<u>Supplemental Information:</u>	
Schedule 1 - Schedules of Expenditures of Federal Awards, For the Year Ended June 30, 2021	29-30
Notes to Schedule of Expenditures of Federal Awards	31-32
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>	33-34
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	35-36
Summary Schedule of Prior Audit Findings, For the Year Ended June 30, 2021	37
Schedule of Findings and Questioned Costs, For the Year Ended June 30, 2021	38
<u>Non-Accounting Information:</u>	
Schedule of Contracts Awarded in Excess of \$25,000 For the Year Ended June 30, 2021	39

Kendall, Prebola and Jones, LLC

Certified Public Accountants

Board of Directors
Digital Pioneers Academy
Public Charter School
709 12th Street, SE
Washington, DC 20003

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Digital Pioneers Academy Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Digital Pioneers Academy Public Charter School, as of June 30, 2021 and 2020, 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***Supplementary Information***

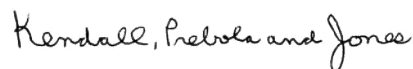
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 the Digital Pioneers Academy Public Charter School as of and for the years ended June 30, 2021 and 2020, and our report thereon dated November 30, 2021, 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 November 30, 2021, on our consideration of the Digital Pioneers Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Digital Pioneers Academy 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 Digital Pioneers Academy Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 30, 2021

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,807,711	\$ 904,524
Accounts Receivable	220,573	137,188
Promises Receivable	794,423	300,000
Prepaid Expenses	<u>86,291</u>	<u>78,621</u>
Total Current Assets	<u>\$ 2,908,998</u>	<u>\$ 1,420,333</u>
<u>Fixed Assets:</u>		
Furniture, Fixtures and Equipment	\$ 403,889	\$ 407,059
Computers	425,950	197,597
Classroom Equipment	25,360	25,360
Leasehold Improvements	751,496	600,647
Construction in Progress	45,750	-
Less: Accumulated Depreciation and Amortization	<u>(491,220)</u>	<u>(293,598)</u>
Total Fixed Assets	<u>\$ 1,161,225</u>	<u>\$ 937,065</u>
<u>Other Assets:</u>		
Deposits	<u>\$ 56,405</u>	<u>\$ 20,000</u>
Total Other Assets	<u>\$ 56,405</u>	<u>\$ 20,000</u>
TOTAL ASSETS	<u>\$ 4,126,628</u>	<u>\$ 2,377,398</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 335,756	\$ 338,233
Interest Payable	8,069	1,997
Accrued Salaries	112,695	-
Payroll Taxes and Related Liabilities	10,178	-
Refundable Advances	-	440,600
Deferred Revenue - Current Portion	850	3,400
Current Portion - Loans Payable	16,990	6,260
Current Portion - Financing Lease Payable	<u>7,159</u>	<u>6,810</u>
Total Current Liabilities	<u>\$ 491,697</u>	<u>\$ 797,300</u>
<u>Long-Term Liabilities:</u>		
Deferred Revenue	\$ -	\$ 850
Deferred Rent Abatement	851,313	445,108
Financing Lease Payable	17,277	24,087
Loans Payable	928,670	929,875
Less: Current Portion	<u>(24,149)</u>	<u>(13,070)</u>
Total Long-Term Liabilities	<u>\$ 1,773,111</u>	<u>\$ 1,386,850</u>
Total Liabilities	<u>\$ 2,264,808</u>	<u>\$ 2,184,150</u>
<u>Net Assets:</u>		
Without Donor Restrictions (Deficit)	\$ 1,276,970	\$ (106,752)
With Donor Restrictions	<u>584,850</u>	<u>300,000</u>
Total Net Assets	<u>\$ 1,861,820</u>	<u>\$ 193,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,126,628</u>	<u>\$ 2,377,398</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY CHARTER SCHOOL
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>June 30, 2021</u>			<u>June 30, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, Gains, and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 5,717,693	\$ -	\$ 5,717,693	\$ 4,007,208	\$ -	\$ 4,007,208
Tuition - Facilities Allowance	1,148,496	-	1,148,496	800,400	-	800,400
Contributions - Federal Awards	967,294	-	967,294	529,666	-	529,666
Contributions - State Awards	123,586	-	123,586	41,300	-	41,300
Contributions - Federal COVID Subsidies	440,600	-	440,600	-	-	-
Foundation Grants	1,061,000	616,000	1,677,000	849,820	303,649	1,153,469
Contributions	6,340	-	6,340	24,578	-	24,578
Student Activity Fees	216	-	216	8,801	-	8,801
Interest	754	-	754	5,297	-	5,297
Loss on Disposal of Assets	(43,038)	-	(43,038)	-	-	-
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>331,150</u>	<u>(331,150)</u>	<u>-</u>	<u>253,649</u>	<u>(253,649)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 9,754,091</u>	<u>\$ 284,850</u>	<u>\$ 10,038,941</u>	<u>\$ 6,520,719</u>	<u>\$ 50,000</u>	<u>\$ 6,570,719</u>
<u>Expenses:</u>						
Educational Services	\$ 7,185,624	\$ -	\$ 7,185,624	\$ 5,673,064	\$ -	\$ 5,673,064
General and Administrative	1,167,621	-	1,167,621	814,852	-	814,852
Fundraising	<u>17,124</u>	<u>-</u>	<u>17,124</u>	<u>22,547</u>	<u>-</u>	<u>22,547</u>
Total Expenses	<u>\$ 8,370,369</u>	<u>\$ -</u>	<u>\$ 8,370,369</u>	<u>\$ 6,510,463</u>	<u>\$ -</u>	<u>\$ 6,510,463</u>
Changes in Net Assets	\$ 1,383,722	\$ 284,850	\$ 1,668,572	\$ 10,256	\$ 50,000	\$ 60,256
Net Assets, Beginning of Year	<u>(106,752)</u>	<u>300,000</u>	<u>193,248</u>	<u>(117,008)</u>	<u>250,000</u>	<u>132,992</u>
Net Assets, End of Year (Deficit)	<u>\$ 1,276,970</u>	<u>\$ 584,850</u>	<u>\$ 1,861,820</u>	<u>\$ (106,752)</u>	<u>\$ 300,000</u>	<u>\$ 193,248</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	June 30, 2021				June 30, 2020			
	<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>								
Leadership Salaries	\$ 365,275	\$ 200,459	\$ 153,043	\$ 11,773	\$ 273,918	\$ 70,575	\$ 191,580	\$ 11,763
Teaching Staff Salaries	2,572,746	2,572,746	-	-	1,413,503	1,413,503	-	-
Student and Family Support Salaries	552,302	552,302	-	-	736,674	736,674	-	-
Business and Operations Salaries	319,296	-	319,296	-	328,997	191,629	134,968	2,400
Employee Benefits	312,587	272,865	38,756	966	187,024	162,184	23,757	1,083
Payroll Taxes	326,709	285,192	40,507	1,010	237,470	205,930	30,165	1,375
Staff Development Costs	335,910	293,224	41,648	1,038	326,247	282,916	41,442	1,889
Other Staff-Related Expenses	<u>209,369</u>	<u>190,320</u>	<u>18,839</u>	<u>210</u>	<u>229,792</u>	<u>211,756</u>	<u>17,632</u>	<u>404</u>
Total Personnel, Salaries and Benefits	<u>\$ 4,994,194</u>	<u>\$ 4,367,108</u>	<u>\$ 612,089</u>	<u>\$ 14,997</u>	<u>\$ 3,733,625</u>	<u>\$ 3,275,167</u>	<u>\$ 439,544</u>	<u>\$ 18,914</u>
<u>Direct Student Costs:</u>								
Textbooks and Assessment Materials	\$ 59,684	\$ 59,684	\$ -	\$ -	\$ 47,899	\$ 47,899	\$ -	\$ -
Food Service	135,406	135,406	-	-	182,616	182,616	-	-
Student Supplies and Materials	150,621	150,621	-	-	168,116	168,116	-	-
Contracted Instruction Fees	9,129	9,129	-	-	177,001	177,001	-	-
Special Education Contracted Services	190,744	190,744	-	-	89,713	89,713	-	-
Field Trips	5,247	5,247	-	-	21,868	21,868	-	-
Student Recruiting	173,574	173,574	-	-	13,330	13,330	-	-
Other Student Costs	<u>68,415</u>	<u>68,415</u>	<u>-</u>	<u>-</u>	<u>11,271</u>	<u>11,271</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 792,820</u>	<u>\$ 792,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 711,814</u>	<u>\$ 711,814</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Rent	\$ 886,204	\$ 815,128	\$ 70,176	\$ 900	\$ 939,275	\$ 853,782	\$ 83,576	\$ 1,917
Contracted Building Services	228,048	209,757	18,059	232	117,938	107,203	10,494	241
Utilities	215,632	198,338	17,075	219	197,800	179,796	17,600	404
Maintenance and Repairs	55,536	51,082	4,398	56	32,182	29,252	2,864	66
Facility Consulting Fee	21,000	19,316	1,663	21	-	-	-	-
Interest Expense	31,389	28,871	2,486	32	39,208	35,639	3,489	80
Depreciation - Building	<u>43,644</u>	<u>40,144</u>	<u>3,456</u>	<u>44</u>	<u>123,024</u>	<u>111,826</u>	<u>10,947</u>	<u>251</u>
Total Occupancy Costs	<u>\$ 1,481,453</u>	<u>\$ 1,362,636</u>	<u>\$ 117,313</u>	<u>\$ 1,504</u>	<u>\$ 1,449,427</u>	<u>\$ 1,317,498</u>	<u>\$ 128,970</u>	<u>\$ 2,959</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	June 30, 2021				June 30, 2020			
	<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>								
Equipment Rental and Maintenance	\$ 10,754	\$ 9,891	\$ 852	\$ 11	\$ 21,781	\$ 19,799	\$ 1,938	\$ 44
Office Supplies and Materials	52,682	48,457	4,172	53	43,007	39,092	3,827	88
Postage and Shipping	975	896	77	2	52	47	5	-
Computer and Related	89,899	82,689	7,119	91	67,620	61,465	6,017	138
Professional Services	580,109	205,005	374,915	189	217,803	17,640	200,163	-
Office Printing and Copying	4,688	4,312	371	5	4,274	3,885	380	9
Telecommunications	57,832	53,194	4,579	59	33,839	30,759	3,011	69
Staff Travel	<u>5,454</u>	<u>5,454</u>	<u>-</u>	<u>-</u>	<u>8,877</u>	<u>8,069</u>	<u>790</u>	<u>18</u>
Total Office Expenses	<u>\$ 802,393</u>	<u>\$ 409,898</u>	<u>\$ 392,085</u>	<u>\$ 410</u>	<u>\$ 397,253</u>	<u>\$ 180,756</u>	<u>\$ 216,131</u>	<u>\$ 366</u>
<u>General Expenses:</u>								
Authorizer Fee	\$ 69,992	\$ 59,493	\$ 10,499	\$ -	\$ 48,455	\$ 41,187	\$ 7,268	\$ -
Insurance	26,072	23,981	2,065	26	29,628	26,932	2,636	60
Moving Expenses	-	-	-	-	9,476	9,476	-	-
Depreciation Expense	184,484	169,688	14,609	187	121,272	110,234	10,790	248
Other General Expenses	<u>18,961</u>	<u>-</u>	<u>18,961</u>	<u>-</u>	<u>9,513</u>	<u>-</u>	<u>9,513</u>	<u>-</u>
Total General Expenses	<u>\$ 299,509</u>	<u>\$ 253,162</u>	<u>\$ 46,134</u>	<u>\$ 213</u>	<u>\$ 218,344</u>	<u>\$ 187,829</u>	<u>\$ 30,207</u>	<u>\$ 308</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 8,370,369</u>	<u>\$ 7,185,624</u>	<u>\$ 1,167,621</u>	<u>\$ 17,124</u>	<u>\$ 6,510,463</u>	<u>\$ 5,673,064</u>	<u>\$ 814,852</u>	<u>\$ 22,547</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,668,572	\$ 60,256
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	228,128	244,296
Loss on Disposal of Asset	43,038	-
Loan Fees Amortization - Interest	8,766	10,305
Accounts Receivable - (Increase)/Decrease	(83,385)	(130,457)
Promises Receivable - (Increase)/Decrease	(494,423)	5,762
Prepaid Expenses - (Increase)/Decrease	(7,671)	(10,405)
Deposits - (Increase)/Decrease	(36,405)	(7,114)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(43,228)	115,862
Interest Payable - Increase/(Decrease)	6,072	(2,286)
Accrued Salaries - Increase/(Decrease)	112,695	(23,813)
Payroll Taxes and Related Liabilities - Increase/(Decrease)	10,178	(4,408)
Refundable Advance - Increase/(Decrease)	(440,600)	440,600
Deferred Revenues - Increase/(Decrease)	(3,400)	(3,400)
Deferred Rent Abatement - Increase/(Decrease)	<u>406,205</u>	<u>445,108</u>
Net Cash Flows from Operating Activities	<u>\$ 1,374,542</u>	<u>\$ 1,140,306</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	<u>\$ (454,574)</u>	<u>\$ (878,541)</u>
Net Cash Flows from Investing Activities	<u>\$ (454,574)</u>	<u>\$ (878,541)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments made on Financing Lease	\$ (6,810)	\$ (6,478)
Proceeds on Loans	-	966,400
Principal Payments on Loan	(9,971)	(380,731)
Payments for Loan Financing Costs	<u>-</u>	<u>(43,830)</u>
Net Cash Flows from Financing Activities	<u>\$ (16,781)</u>	<u>\$ 535,361</u>
Net (Decrease) in Cash and Cash Equivalents	\$ 903,187	\$ 797,126
Cash and Cash Equivalents, Beginning of Year	<u>904,524</u>	<u>107,398</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,807,711</u>	<u>\$ 904,524</u>

Supplemental Disclosures:

- a) There were no income taxes paid during the years ended June 30, 2021 or 2020.
- b) Interest in the amount of \$16,550 and \$31,190 was paid during the years ended June 30, 2021 and 2020, respectively.

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

Digital Pioneers Academy Public Charter School (the Charter School), a District of Columbia Not-for-Profit organization, was incorporated on January 25, 2017, exclusively for educational purposes. The Charter School's mission is to develop the next generation of innovators. The Charter School prepares students to meet or exceed the highest academic standards, while cultivating the strength of character necessary to both graduate from four-year colleges and thrive in 21st century careers.

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.

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.

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).

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Contributions (Continued)

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.

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.

(c) Corporate Taxes:

The 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 September 6, 2018. 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 to the Charter School 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 years ended June 30, 2021 and 2020.

The Charter School is also exempt from District of Columbia sales and personal property taxes.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) 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. 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 receivable 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 at year-end, are reflected as a refundable advance.

(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.

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.

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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General Operations - Time Restricted	\$ 500,000	\$ 300,000
High School Planning	83,850	-
COVID Pandemic Assistance	500	-
Expeditions	<u>500</u>	<u>-</u>
Total Net Assets Available	<u>\$ 584,850</u>	<u>\$ 300,000</u>

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 purposes:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General Operations - Time Restricted	\$ 300,000	\$ 250,000
High School Planning	31,150	-
COVID Pandemic Assistance	<u>-</u>	<u>3,649</u>
Total Net Assets Released from Restrictions	<u>\$ 331,150</u>	<u>\$ 253,649</u>

(f) Donated Services:

Donated services 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. A number of volunteers donated significant amounts of their time in the Charter School's supporting services for which no value has been assigned. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions, when provided 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

Effective July 1, 2018, Digital Pioneers Academy (DPA) entered into a fifteen-year Charter School Agreement with the District of Columbia Public Charter School Board. The Charter School's first school year of operation was fall 2018 to spring 2019 and opened with 120 6th graders. In 2021-2022, DPA served 451 6th - 9th graders. DPA will ultimately be a college preparatory middle and high school (6th - 12th grade) for students from Ward 7 and 8 in Washington, DC. While adding one grade per year, DPA provides a unique, personalized educational experience that integrates best practices from schools across the country, preparing students to be innovators and active citizens in our technology-driven world.

DPA's learning model leverages a curriculum built around traditional subjects with the critical inclusion of Computer Science as a core content area. Through core classes and personalized, project-based work, students will develop computational thinking skills, a set of capabilities that can be flexibly applied to succeed in a four-year college and in a variety of fields. In addition to rigorous academics and project-based learning, DPA's innovative approach focuses on character building, diverse out-of-school experiences ("expeditions"), and developing the social and emotional capacities of students.

Computer science is not just about teaching students to code. As the foundation for all computing, computer science is defined as "the study of computers and algorithmic processes, including their principles, their hardware and software designs, their applications, and their impact on society."

Through helping students understand why and how computers work, computer science provides the basis for a deep understanding of computer use and the relevant rights, responsibilities, and applications. Computer science builds on computer literacy, educational technology, digital citizenship, and information technology.

(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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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 instruction, food service, student assessment materials, field trips, supplies, 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 expenses, 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 staff development, staff recruiting, and staff events 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.

(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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or to total net assets from the prior years.

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 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.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 1,807,711	\$ 904,524
Accounts Receivable	220,573	137,188
Promises Receivable	<u>794,423</u>	<u>300,000</u>
Total Financial Assets	<u>\$ 2,822,707</u>	<u>\$ 1,341,712</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Contractual Restriction - Copier Buy Out	\$ <u>-</u>	\$ <u>850</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 2,822,707</u>	<u>\$ 1,340,862</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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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 Digital Pioneers Academy Public 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.

5. CASH AND CASH EQUIVALENTS:

The carrying amount of cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Checking Accounts - Interest Bearing	\$ 221,081	\$ 220,327
Checking Accounts - Non-Interest Bearing	<u>1,586,630</u>	<u>684,197</u>
Total	<u>\$ 1,807,711</u>	<u>\$ 904,524</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 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 and 2020, \$1,574,013 and \$805,776, 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE:

Accounts Receivable

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Property Tax Refund	\$ 138,474	\$ 83,052
E-rate	36,954	33,320
Per Pupil Funding	33,602	17,928
Reimbursable Expense	10,730	2,888
Pay Pal	<u>813</u>	<u>-</u>
Total Accounts Receivable	<u>\$ 220,573</u>	<u>\$ 137,188</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 to secure accounts receivable, it is at credit risk for the amounts owed to it throughout the year and at year end. As of June 30, 2021, approximately 63% of the Charter School's accounts receivable (\$138,474) was due from the District of Columbia Government in the form of reimbursements for property taxes paid.

Accounts 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 receivable. Management believes that an allowance was not required based on its evaluation of collectability of receivables for the years ended June 30, 2021 and 2020.

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. 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. Promises to give represent amounts committed by donors that have not been received by the Charter School. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. The Charter School uses the allowance method to determine uncollectible promises to give.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

Promises Receivable (Continued)

Promises receivable at year end consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General - Unrestricted	\$ 300,520	\$ 300,000
General - Time Restricted	250,000	-
School Reopening Grant	89,035	-
Coronavirus Aid Relief and Economic Security Act	38,693	-
Schoolwide Entitlement Funds	37,039	-
DC Opportunity Scholarship Program	30,204	-
Building Upgrades	25,000	-
National School Lunch and Breakfast Program	17,657	-
Grants to States (IDEA Section 611)	6,208	-
Healthy School Act	<u>67</u>	<u>-</u>
Total Promises Receivable	<u>\$ 794,423</u>	<u>\$ 300,000</u>

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

Concentrations of credit risk with respect to promises receivable are limited due to the large number of contributions comprising the Charter School's contributor base and their dispersion across different industries and donor backgrounds. However, as of June 30, 2021 and 2020, 38% and 100%, respectively, of the Charter School's contributions receivable (\$300,000 and \$300,000) was due from a single donor. The Digital Pioneers Academy Public Charter School does not believe they are at any significant credit risk related to this promise made based on historical collection and the organizational relationship with these donors.

The Charter School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
CARES - School Emergency Relief	\$ 1,142,098	\$ 235,218
Educational Support	500,000	-
Schoolwide Entitlement Funds	65,540	21,308
Scholarships for Opportunity and Results Act (SOAR)	37,101	-
Individuals with Disabilities Education Act (IDEA)	18,625	-
Charter School Start-up	-	100,000
Charter Schools Program - Title Vb	<u>-</u>	<u>59,625</u>
Total Conditional Promises	<u>\$ 1,763,364</u>	<u>\$ 416,151</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS:

Furniture and equipment, and leasehold improvements 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. In addition, bulk purchases of assets with unit costs of less than \$1,000, but a total monetary value for a one-time purchase exceeding \$5,000, will be capitalized as a group and depreciated over the estimated useful lives of the 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 income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements have been amortized over the remaining term of the rental lease agreement. Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$228,128 and \$244,296, 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, 2021

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	Life of Lease	\$ 751,496	\$ 77,375	\$ 674,121
Furniture, Fixtures and Equipment	7 Years	403,889	181,323	222,566
Computers	3 Years	425,950	209,722	216,228
Classroom Equipment	3 Years	25,360	22,800	2,560
Construction in Progress		<u>45,750</u>	<u>-</u>	<u>45,750</u>
Total Fixed Assets		<u>\$ 1,652,445</u>	<u>\$ 491,220</u>	<u>\$ 1,161,225</u>

June 30, 2020

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	Life of Lease	\$ 600,647	\$ 33,731	\$ 566,916
Furniture, Fixtures and Equipment	7 Years	407,059	148,684	258,375
Computers	3 Years	197,597	96,836	100,761
Classroom Equipment	3 Years	<u>25,360</u>	<u>14,347</u>	<u>11,013</u>
Total Fixed Assets		<u>\$ 1,230,663</u>	<u>\$ 293,598</u>	<u>\$ 937,065</u>

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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

8. REFUNDABLE ADVANCE - 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.

The Charter School applied for and received a total amount of loan proceeds in the amount of \$440,600 on May 6, 2020, under round one of the Paycheck Protection Program. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and were recognized as contribution revenue as the qualified expenses were incurred. As of June 30, 2020, an amount of \$440,600 was reflected as a refundable advance. During the year ended June 30, 2021, \$440,600 was recognized as contribution income since the conditions upon which the loan proceeds were provided had been substantially met. This loan was forgiven by Capital One Bank on July 27, 2021.

9. DEFERRED RENT ABATEMENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease including a rent abatement period and/or 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 deferred rent abatement liability in the accompanying statement of financial position.

The Digital Pioneers Academy Public Charter School entered into a lease agreement with ESP Warehouse, LLC, effective for a fifteen-year period (180 months) commencing on July 1, 2019, and ending on June 30, 2034, for the rental of two buildings located at 709 12th Street, SE, Washington, DC. There is an annual escalation clause of two and three-quarter percent (2.75%) of the prior year base rent. As of June 30, 2021 and 2020, \$851,313 and \$445,108, respectively of future rent payments are reflected as a liability to adjust the actual rent paid to conform to the straight-line basis.

10. FINANCING LEASE PAYABLE:

On September 14, 2018, the Charter School entered into a financing lease for the purchase of a Toshiba 7506ACT photocopier. The total amount financed through the financing lease was \$34,709, payable over thirty-six (60) months with a monthly required payment of \$655. Maturity is scheduled for September 15, 2023. Interest expense was \$1,050 and \$1,381, respectively, for the years ended June 30, 2021 and 2020, using an implicit rate of 5.00%. The balance of the financing lease debt was \$17,277 and \$24,087 at June 30, 2021 and 2020, respectively.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

10. FINANCING LEASE PAYABLE: (Continued)

The Charter School is committed under this financing lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 7,860	\$ 7,159	\$ 701
2023	7,860	7,525	335
2024	<u>2,620</u>	<u>2,593</u>	<u>27</u>
Total	<u>\$ 18,340</u>	<u>\$ 17,277</u>	<u>\$ 1,063</u>

The lease is secured by the photocopier equipment and is presented as part of the carrying balance of fixed assets. For the years ended June 30, 2021 and 2020, depreciation expense in the amount of \$4,958 on the photocopier has been included in depreciation expense. Following is a summary of assets held under the financing lease:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Photocopier - Cost	\$ 34,709	\$ 34,709
Less: Accumulated Depreciation	<u>(13,636)</u>	<u>(8,677)</u>
Net Book Value Leased Equipment	<u>\$ 21,073</u>	<u>\$ 26,032</u>

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 June 25, 2018, provided 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 Digital Pioneers Academy 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 Digital Pioneers Academy Public Charter School's charter every five years, which should occur during 2023. 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 20/21 and 19/20 school years) of the total revenues (less philanthropic and investment revenues as well as the Paycheck Protection Program) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2021 and 2020, the Charter School incurred \$69,992 and \$48,455, respectively, in administrative fees.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

The charter contract provides that the Digital Pioneers Academy 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, 2021, was not permitted to be greater than 360 students. Audit enrollment for the 2020/2021 year was 337 students and enrollment for the 2019/2020 year was 240 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 calculated annually and based on the equivalent number of full-time students. For the year ended June 30, 2021, the per-student rate was \$12,215 for the educational allotment and \$3,408 for the facility allotment. For the year ended June 30, 2020, the per-student rate was \$11,858 for the educational allotment and \$3,335 for the facility allotment. Additional allotments were made for Special Education Services and At-Risk Students. Per-pupil funding for the years ended June 30, 2021 and 2020 was as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General Education	\$ 4,116,388	\$ 2,846,016
Special Education	983,828	708,975
At Risk Students	617,477	407,639
Facilities Allowance	1,148,496	800,400
One Time Additional Payment	<u>-</u>	<u>44,578</u>
Total	<u>\$ 6,866,189</u>	<u>\$ 4,807,608</u>

13. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2021 and 2020, the Charter School participated in the following federal award programs:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Elementary and Secondary Education, Title I	\$ 298,661	\$ 187,171
DC School Choice Incentive Program (SOAR)	205,340	-
Coronavirus Aid Relief and Economic Security Act	180,420	-
National School Lunch and Breakfast Program	74,295	105,569
Individuals with Disabilities Education Act	69,874	49,259
Charter Schools Program, Title V	59,626	123,304
Elementary and Secondary Education, Title II	58,094	38,638
Elementary and Secondary Education, Title IV	20,984	9,169
Economic Injury Disaster Loan	-	10,000
Donated Commodities	<u>-</u>	<u>6,556</u>
Total	<u>\$ 967,294</u>	<u>\$ 529,666</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. PROMISSORY NOTES:

Office of the State Superintendent of Education (OSSE)

On July 5, 2018, the Charter School entered into a promissory note with the Office of the State Superintendent of Education for the District of Columbia (OSSE) in the amount of \$600,000. The loan proceeds were utilized for the improvement and reconfiguration of the property located at 2220 Branch Avenue, Washington, DC, 20020. On September 6, 2019, the Office of the State Superintendent of Education refinanced the remaining balance on this original loan in the amount of \$306,168. In addition to the refinancing of the old loan, Digital Pioneers Academy borrowed an additional amount of \$510,232 for the purpose of renovating a school facility located at 709 12th Street, SE, Washington, DC. OSSE maintains a security interest in the Charter School's revenues. The new loan is for a total amount of \$816,400 and is payable over the next five years. The original interest rate on this loan was at a fixed rate of 3.75%, however this interest rate was amended to 1% effective February 5, 2021. Interest expense related to this note for the years ended June 30, 2021 and 2020, was \$21,573 and \$24,958 and the balance on this loan at June 30, 2021 and 2020 was \$806,429 and \$816,400, respectively.

There are several loan covenants related to this loan. These covenants include the debt service coverage ratio and the unrestricted liquidity to indebtedness for money borrowed ratio.

Future minimum required payments for the next four years on this loan is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 35,357	\$ 25,756	\$ 9,601
2023	28,631	21,488	7,143
2024	28,975	22,305	6,670
2025	<u>738,474</u>	<u>736,880</u>	<u>1,594</u>
Total	<u>\$ 831,437</u>	<u>\$ 806,429</u>	<u>\$ 25,008</u>

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 statement of functional expenses. Long-term debt at June 30, 2021 and 2020, consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2010</u>
Notes Payable	\$ 806,429	\$ 816,400
Less: Unamortized Debt Issuance Costs	<u>(27,759)</u>	<u>(36,525)</u>
Total	<u>\$ 778,670</u>	<u>\$ 779,875</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. PROMISSORY NOTES: (Continued)

Charter School Growth Fund

On May 4, 2020, the Charter School entered into a loan with the Charter School Growth Fund in the amount of \$150,000. This loan was for the purpose of providing funds to support distance learning during the time of Covid pandemic including the purchase of technology, internet connectivity and technology support. This loan was provided at zero percent (0%) interest and has a maturity date of November 30, 2021, at which time the full amount of the borrowing is deemed payable. This loan is subordinate to the loan provided by the Office of the State Superintendent of Education for the District of Columbia (OSSE). The outstanding balance at June 30, 2021 and 2020, was \$150,000.

15. COMMITMENTS:

Building Lease - 2220 Branch Avenue

The Digital Pioneers Academy Public Charter School entered into a lease agreement with East Washington Heights Baptist Church effective for a 12 month period commencing on August 1, 2018, and expiring on July 31, 2019, (extended through August 31, 2019) for the rental of a portion of a building located at 2220 Branch Avenue, SE, Washington, DC. Monthly lease payments of \$7,083 began on August 1, 2018. Rental expense for the year ended June 30, 2020 was \$14,167. Additional operating expenses in the amount of \$2,925 was paid during the year ended June 30, 2020.

Building Lease - 709 12th Street

The Digital Pioneers Academy Public Charter School entered into a lease agreement with ESP Warehouse, LLC, effective for a fifteen-year period commencing on July 1, 2019, and ending on June 30, 2034, for the rental of two buildings located at 709 12th Street, SE, Washington, DC. The Charter School has the option to extend the term of the lease for up to two five consecutive year terms. Monthly lease payments of \$40,000 began on July 1, 2019. The lease calls for a yearly escalation of 2.75% effective on the first day of July commencing on July 1, 2022. The Charter School is also responsible for certain operating expenses. Additional operating expenses in the amount of \$209,249 and \$194,875 were paid during the years ended June 30, 2021 and 2020, respectively. Rent expense for the years ended June 30, 2021 and 2020 was \$886,206 and \$925,108, respectively. Future minimum rental lease payments due under this lease along 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 Payment</u>
2022	\$ 905,657	\$ 135,657	\$ 770,000
2023	905,657	114,482	791,175
2024	905,657	92,725	812,932
2025	905,657	70,369	835,288
2026	905,657	(30,625)	936,282
Thereafter	<u>7,245,252</u>	<u>(1,233,921)</u>	<u>8,479,173</u>
Totals	<u>\$ 11,773,537</u>	<u>\$ (851,313)</u>	<u>\$ 12,624,850</u>

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

15. **COMMITMENTS:** (Continued)

Building Lease - 4025 9th Street SE

The Digital Pioneers Academy Public Charter School entered into a lease agreement with the District of Columbia Baptist Convention (known as the Johnnning Baptist Community Center) effective for a 12 month period commencing on July 1, 2021, and expiring on June 30, 2022, for the rental of a portion of a building located at 4025 9th Street, SE, Washington, DC. Monthly lease payments of \$27,792 are scheduled to begin on July 1, 2021. As an additional requirement of this lease, a rental security deposit of \$27,792 was made.

Operating Lease - Photocopier

The Charter School entered into an operating lease with Marlin Business Bank, on June 20, 2018 for the rental of two Toshiba photocopiers. This lease calls for forty (48) monthly payments of \$505, commencing on July 20, 2018. Rental expense for the years ending June 30, 2021 and 2020 was \$6,060 for both years. Future minimum payments due under this lease are as follows:

Year Ending June 30,

2022	\$ <u>6,060</u>
------	-----------------

Total	\$ <u>6,060</u>
-------	-----------------

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, 2021 and 2020, sixty-eight percent (68%) and seventy-three percent (73%), respectively, of total support, 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 passed through the Office of the DC Office of State Superintendent of Education. 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 Digital Pioneers Academy must compete for students against the DC Public School system as well as other DC Public Charter Schools.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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.

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.

Litigation

From time to time, the Charter School is 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 2020/2021 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.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognitions or disclosure through November 30, 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.

19. RELATED PARTY TRANSACTIONS:

Business Contracts

The Charter School entered into a contract on June 8, 2021, with a company whose President is the Board Chair of the Digital Pioneers Academy Public Charter School. The Charter School partnered with Cadence Learning for the 2021 National Summer School Initiative which is supported by Bellwether Education Partners. The total amount paid on this contract during the year ended June 30, 2021 was \$5,000.

The spouse of the CEO and Principal owns the St. James Sports, Wellness and Entertainment Complex. The Charter School made payments in the amount of \$4,220 to St. James for the purpose of providing both student and staff activities.

Board of Directors

The CEO and Principal of Digital Pioneers Academy serves as a member of the board of directors of the Center for Learner Equity, a not-for-profit 501(c)(3) corporation for which a board member of the Digital Pioneers Academy is the co-founder and current senior fellow.

Guarantee of Indebtedness

The Charter School utilizes a credit card issued by Capital One Bank for purchases related to the Charter School's activity. The credit card is issued in the name of the Charter School with a credit limit of \$45,000, however the debt is guaranteed by the Executive Director of the Charter School.

20. FUNDRAISING:

During the years ended June 30, 2021 and 2020, expenses incurred for the purpose of fundraising were \$17,124 and \$22,547, respectively.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

21. RETIREMENT PLAN:

401(k) Profit Sharing Plan

The Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan, which is currently administered by ADP, LLC. 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 matching contributions in an amount equal to 50% of the first 6% of the employee's elective deferral. Participants are 100% vested in their contributions. Employer contributions are 100% vested after 3 years of service. Authorized entry dates into the plan are the first of each month following the date that the eligibility requirements are met. There is no unfunded past service liability. The Charter School's contributions to the plan consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Safe Harbor	\$ 76,323	\$ 53,974
Profit Sharing	<u>-</u>	<u>-</u>
Total	<u>\$ 76,323</u>	<u>\$ 53,974</u>

Teachers Retirement Plan

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the DC Public School System may participate in a defined benefit plan named the "Teacher's Retirement Plan". The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service.

An employee may elect to remain in the Teacher's Retirement Plan if that individual leaves employment with the District of Columbia Public School system and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and the school must make the match contributions that the District Government would have made to the plan. Employee contributions of 7% of annual salary are required to be made on a pre-tax basis to the plan. The amount of employer contributions for the year ended June 30, 2021 was \$5,133.

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

22. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2021 and 2020 consisted of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Social Security/Medicare	\$ 285,076	\$ 205,064
Health Insurance	221,005	114,788
Retirement	81,456	53,974
Unemployment	19,136	20,820
Family Leave Tax	22,497	11,586
Disability and Life Insurance	4,695	7,179
Workers Compensation	560	6,672
Dental and Vision Insurance	<u>4,871</u>	<u>4,411</u>
Total	<u>\$ 639,296</u>	<u>\$ 424,494</u>

Flexible Benefits Plan

The 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 insurance premiums and dependent care benefits.

DIGITAL PIONEERS ACADEMY 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	\$ 885008	07/01/20 to 09/30/21	\$ -	\$ 63,666	\$ 69,874	\$ 6,208
Total Special Education Cluster					\$ -	\$ 63,666	\$ 69,874	\$ 6,208
Title I, Part A, Grants to Local Educational Agencies	84.010A	S010A190051 (21)	\$ 350,440	07/01/20 to 09/30/21	\$ -	\$ 270,482	\$ 298,661	\$ 28,179
Title II, Part A, Improving Teacher Quality State Grants	84.367A	S367A190008 (21)	\$ 68,102	07/01/20 to 09/30/21	-	50,762	58,094	7,332
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	S424A190009 (21)	\$ 24,738	07/01/20 to 09/30/21	-	19,456	20,984	1,528
Title V, Part B, Charter Schools Planning Grants	84.282a	VB282A150028 (18)	\$ 975,000	05/22/17 to 05/21/21	-	59,626	59,626	-
DC Opportunity Scholarship Program - EC and IAQ	84.370C	U370C190001	\$ 242,442	07/01/20 to 09/30/21	-	175,136	205,340	30,204
Coronavirus Aid Relief and Economic Security Act	84.425D	A3SERF S425D200034	\$ 112,209	10/01/20 to 09/30/21	-	17,941	56,634	38,693
Coronavirus Aid Relief and Economic Security Act	84.425D	A3SERF S425D200034	\$ 123,786	03/13/20 to 09/30/20	-	123,786	123,786	-
Total U.S. Department of Education					\$ -	\$ 780,855	\$ 892,999	\$ 112,144
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	\$ -	\$ 56,638	\$ 23,633	\$ (33,005)
National School Lunch Program	10.555	N/A	N/A	07/01/20 to 06/30/21	-	-	50,662	50,662
Total Child Nutrition Cluster					\$ -	\$ 56,638	\$ 74,295	\$ 17,657
Total U.S. Department of Agriculture					\$ -	\$ 56,638	\$ 74,295	\$ 17,657
Total Federal Awards					\$ -	\$ 837,493	\$ 967,294	\$ 129,801

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY 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>
Special Education - Grants to States (IDEA, Part B, Section 611)	84.027A	\$ 69,874
Title I, Part A, Grants to Local Educational Agencies	84.010A	298,661
Title II, Part A, Improving Teacher Quality State Grants	84.367A	58,094
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	20,984
Title V, Part B, Charter Schools Planning Grants	84.282A	59,626
Coronavirus Aid Relief and Economic Security Act	84.425D	180,420
DC Opportunity Scholarship Program	84.370C	205,340
School Breakfast Program	10.553	23,633
National School Lunch Program	10.555	<u>50,662</u>
Total Federal Awards		<u>\$ 967,294</u>

(See Accompanying Notes and Auditor's Report)

DIGITAL PIONEERS ACADEMY 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

- DC Opportunity Scholarship Program
- Title I, Part A, Grants to Local Educational Agencies

The requirements of the Office of Management and Budget Uniform Guidance prescribe 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 the Digital Pioneers Academy Public Charter School, the programs subject to these requirements are as listed above. The total expenditures of these programs represent 52.10% of the total federal expenditures.

DIGITAL PIONEERS ACADEMY 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 Expenditures</u>
Special Education - Grants to States (IDEA, Part B, Section 611)	84.027A	\$ 69,874
Title I, Part A, Grants to Local Educational Agencies	84.010A	298,661*
Title II, Part A, Improving Teacher Quality State Grants	84.367A	58,094
Title IV, Part A, Student Support and Academic Enrichment Program	84.424A	20,984
Title V, Part B, Charter School Planning Grants	84.282A	59,626
Coronavirus Aid Relief and Economic Security Act	84.425D	180,420
DC Opportunity Scholarship Program	84.370C	205,340*
School Breakfast Program	10.553	23,633
National School Lunch Program	10.555	<u>50,662</u>
 Total Federal Awards		 <u>\$ 967,294</u>

* Denotes Major Program

Note 5 - Major Program Disclosure:

I. U.S. Department of Education

1) Title I, Part A, Grants to Local Educational Agencies

Title I, Part A (Title I) of the Elementary and Secondary Education Act, as amended by the Every Student Succeeds Act (ESEA), provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging academic standards. The purpose of the Title I funding is to provide all children significant opportunity to receive a fair, equitable, and high-quality education, and to close educational achievement gaps.

2) DC Opportunity Scholarship Program (SOAR)

The purpose of the Scholarships for Opportunity and Results (SOAR) Act grant is to improve school performance and educational outcomes and to provide facility funding in order to increase the number of high-quality public charter school seats in the District of Columbia.

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Digital Pioneers Academy
Public Charter School
709 12th Street, SE
Washington, DC 20003

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 Digital Pioneers Academy 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 November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Digital Pioneers Academy 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 Digital Pioneers Academy 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 Digital Pioneers Academy 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
November 30, 2021

Kendall, Prebola and Jones, LLC
Certified Public Accountants

Board of Directors
Digital Pioneers Academy
Public Charter School
709 12th Street, SE
Washington, DC 20003

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 Digital Pioneers Academy 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 Digital Pioneers Academy Public Charter School's major federal programs for the year ended June 30, 2021. Digital Pioneers Academy 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 Digital Pioneers Academy 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 Digital Pioneers Academy 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 major federal programs. However, our audit does not provide a legal determination of Digital Pioneers Academy Public Charter School's compliance.

Opinion on Each Major Federal Award Program

In our opinion, Digital Pioneers Academy 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.

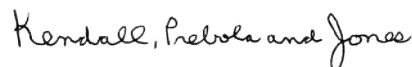
Report on Internal Control Over Compliance

Management of Digital Pioneers Academy 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 Digital Pioneers Academy 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 Digital Pioneers Academy 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
November 30, 2021

DIGITAL PIONEERS ACADEMY PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

There were no findings reported in the prior year.

DIGITAL PIONEERS ACADEMY 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 Digital Pioneers Academy 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 Digital Pioneers Academy 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 award programs have been reported.
- e. The auditor's report on compliance for the major federal award programs for Digital Pioneers Academy 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 major programs of Digital Pioneers Academy Public Charter School are as follows:

<u>Program</u>	<u>CFDA #</u>
Title I, Part A, Grants to Local Educational Agencies	84.010A
DC Opportunity Scholarship Program	84.370C

- h. The dollar threshold used for distinguishing between Type A and Type B programs was \$750,000.
- i. Digital Pioneers Academy 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.

DIGITAL PIONEERS ACADEMY 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 Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
ESP Warehouse, LLC	Rent	1,190,690	no
ADP Total Source	Health and Life Insurance	381,359	no
Dynamic Network Solutions	FF and E/Computers	245,544	no
PMM Companies	Janitorial Services	188,057	no
PMM Facilities	General Contractor/Construction	161,807	no
End-to-end Solutions	Special Education Services	140,427	no
Preferred Meals	Food Service	132,506	no
BetterEd Solutions	Professional Development	120,000	no
DC Treasurer	Interest Costs	116,501	no
Benjamin Marcovitz	Strategic Planning	114,312	no
EdOps	Accounting and Finance	76,790	no
Amazon	Student, Office Supplies	74,115	no
DC Public Charter School Board	Authorizer Fee	73,206	no
Kitamba Inc.	Strategic Planning	73,125	no
Apple Inc., Education	FF and E/Computers	61,436	no
Pinkston Group Inc.	Branding, Marketing, Communication Services	59,039	no
Fairgreen Consulting	Special Education Services	53,267	no
The Teaching Well	Professional Development	44,070	no
Studio Twenty Seven Architecture	General Contractor/Construction	40,750	no
RJLPM Consultants, LLC	General Contractor/Construction	35,060	no
The Achievement Network	Professional Development	33,000	no
Keisha Morris	Strategic Planning	32,135	no
Sade Wade	Strategic Planning	31,080	no
Executive Excellence	Branding, Marketing, Communication Services	28,000	no
Kate Tynan	Staffing	27,488	no