

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.

**REPORT ON FINANCIAL STATEMENTS
(with other information)**

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Social Justice Public Charter School, Inc.

We have audited the accompanying financial statements of Social Justice Public Charter School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Social Justice Public Charter School, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of vendors awarded contracts equal to or above \$25,000 during the fiscal year, which is the responsibility of management, is presented for purposes 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 2, 2021, on our consideration of Social Justice Public Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Social Justice Public Charter School, Inc.'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 Social Justice Public Charter School, Inc.'s internal controls over financial reporting and compliance.

Maney Costerian PC

November 2, 2021

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 657,028
Grants and accounts receivable	81,271
Prepaid expenses and deposits	<u>48,324</u>

Total current assets 786,623

Noncurrent assets

Property and equipment, net of accumulated depreciation	<u>104,919</u>
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TOTAL ASSETS \$ 891,542

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

Accounts payable and accrued expenses	\$ 36,682
Accrued salaries and related	<u>39,981</u>

Total current liabilities 76,663

Long-term liabilities

Deferred rent	<u>136,320</u>
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TOTAL LIABILITIES 212,983

NET ASSETS

Without donor restrictions	<u>678,559</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 891,542

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

REVENUES	
Pupil revenue	\$ 1,055,142
Federal grants	540,867
Other grants and contributions	390,518
Other income	<u>1,821</u>
TOTAL REVENUES	<u>1,988,348</u>
EXPENSES	
Program services	
Educational activities	1,607,006
Support services	
Management and general	<u>316,184</u>
TOTAL EXPENSES	<u>1,923,190</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	65,158
NET ASSETS WITHOUT DONOR RESTRICTIONS	
Beginning of year	<u>613,401</u>
End of year	<u><u>\$ 678,559</u></u>

See notes to financial statements.

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Support Services	
	Educational Activities	Management and General	Total Expenses
EXPENSES			
Personnel, salaries and benefits			
Salaries	\$ 810,820	\$ 156,128	\$ 966,948
Employee benefits	92,152	16,666	108,818
Payroll taxes	11,027	969	11,996
Professional development	53,774	8,543	62,317
Travel and meetings	11,275	-	11,275
Total personnel, salaries and benefits	979,048	182,306	1,161,354
Direct student expenses			
Supplies and materials	13,157	-	13,157
Recruiting	41,657	-	41,657
Contracted instruction fees	50,589	-	50,589
Textbooks	46,665	-	46,665
Student assessments	116	-	116
Other student costs	38,287	-	38,287
Total direct student expenses	190,471	-	190,471
Occupancy expenses			
Rent	285,831	54,969	340,800
Maintenance and repairs	2,755	-	2,755
Total occupancy expense	288,586	54,969	343,555
Office expenses			
Office supplies and materials	15,121	53,176	68,297
Equipment rental	8,914	1,717	10,631
Telecommunications	919	177	1,096
Professional fees	60,956	11,740	72,696
Postage and shipping	20,005	3,853	23,858
Marketing and recruitment	15,286	2,944	18,230
Total office expenses	121,201	73,607	194,808
General expenses			
Insurance	8,291	1,597	9,888
Administration fee	1,791	345	2,136
Depreciation	17,445	3,360	20,805
Other general expense	173	-	173
Total general expenses	27,700	5,302	33,002
TOTAL EXPENSES	\$ 1,607,006	\$ 316,184	\$ 1,923,190

See notes to financial statements.

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities

Change in net assets	\$ 65,158
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Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
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Depreciation expense	20,805
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Grants and accounts receivable	132,370
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Prepaid expenses and deposits	(6,758)
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Accounts payable and accrued expenses	207,193
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Total adjustments	353,610
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Net cash provided by operating activities	418,768
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Cash flows from investing activities

Purchase of property and equipment	(125,725)
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CHANGE IN CASH AND CASH EQUIVALENTS	293,043
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CASH AND CASH EQUIVALENTS

Beginning of year	363,985
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End of year	\$ 657,028
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SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Social Justice Public Charter School, Inc. (the Organization) have been prepared on the accrual basis. The Organization's more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Property and equipment is recorded at cost, or if donated, at approximate fair value at the date of donation. Depreciation is computed over the remaining estimated useful life of the asset using the straight-line method. The Organization has a capitalization policy of \$1,000.

Deferred Rent

The Organization's operating lease includes minimum payments based on enrollment that are being allocated on a straight-line basis over the term of the lease as an offset against each year's rent expense. The deferred rent liability on the statement of financial position represents the cumulative difference between the rent expense and rent paid.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. The Organization does not have any net assets with donor restrictions as of June 30, 2021.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Grants

Grant revenue recognized by the Organization is comprised of contracts committed from various funding agencies for use in the Organization's activities. All funding sources are providing revenue streams to the Organization for the benefit of the public. Any funds received in advance for which conditions of the agreement have not been met are recognized as refundable advances and then subsequently recognized as revenue upon meeting the conditions of the agreement.

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants (continued)

Conditional contributions are recognized as the Organization incurs qualifying expenditures in compliance with rules and regulations established by the grantor, who is typically a state or federal awarding agency. The grants are paid on a cost-reimbursement basis, most often by drawdowns of the grant funds. Any unused funds are forfeited, and if any expenditures are unallowed, the Organization may be required to refund the amounts drawn down. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis on the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates of time and effort. Allocated expenses primarily consist of payroll and related, occupancy and depreciation, and various other expense classifications necessary to support the day-to-day operations of the Organization.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Organization - The Social Justice Public Charter School, Inc. (the Organization) is a public Organization school authorized under Section 2203 of the District of Columbia School Reform Act of 1995 by the District of Columbia Public Organization School Board (DCPCSB). The Organization operates 1 campus in Washington, DC, covering 5th and 6th grade. DCPCSB has authorized the Organization through June 30, 2036.

The significant program service for the Organization is as follows:

Education services represent the cost of educating students during the regular school day and school year. Programmatic expenses include the cost of classroom instruction, school leadership, academic support and other school support services such as janitorial and food services.

The Organization has been granted tax-exempt status under the provisions of Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal income taxes other than those arising from unrelated business income.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits and receivables. The Organization places its cash deposits with FDIC insured financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk.

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

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

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the resource providers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

The Organization evaluates events and transactions that occur after year-end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through November 2, 2021, which is the date the financial statements were available to be issued.

In preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

Under the terms of the grant agreements, the final determination of allowable expenses is subject to interpretation and adjustments by grantor agencies.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its educational activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at June 30:

Current assets	\$ 786,623
Less excludable items	
Prepaid expenses and deposits	<u>(48,324)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 738,299</u></u>

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30 consists of the following:

	Years of Useful Life	2021
Leasehold improvements	3	\$ 2,281
Software and computer equipment	3 - 5	69,805
Furniture and office equipment	5 - 10	<u>53,639</u>
		125,725
Less accumulated depreciation and amortization		<u>20,806</u>
		<u>\$ 104,919</u>
Depreciation expense		<u>\$ 20,805</u>

NOTE 5 - LEASE COMMITMENTS

The Organization has leased from an unrelated party its education facilities through August 2023. The rent charged is the higher of either the per pupil non-residential facilities allowance or 80% of the target enrollment of students multiplied by the Non-Residential Facilities Allotment of \$3,408 per scholar.

Future minimum operating lease payments required over the remaining lease terms are as follows:

Year Ending June 30,	
2022	\$ 408,960
2023	<u>613,440</u>
	<u>\$ 1,022,400</u>

Facilities rent expense, for the year ended June 30, 2021, was \$340,800.

NOTE 6 - RETIREMENT PLAN

Substantially all employees may participate in a 403(b) plan established by the Organization. Under the plan, employee contributions are matched at the discretion of the Organization. For the years ended June 30, 2021, the Organization matched employee contributions by up to 3% of the employee's compensation. The Organization contributed approximately \$3,500 to the plan in 2021.

SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PUPIL REVENUE

The allocation of the per pupil revenue for the year ended June 30, are as follows:

General education	\$ 600,045
Categorical enhancements	
Special education	207,312
At-risk	84,201
DC facilities allowance	<u>163,584</u>
	<u><u>\$ 1,055,142</u></u>



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**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**

To the Board of Trustees
Social Justice Public Charter School, Inc.

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 Social Justice Public Charter School, Inc. (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 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Social Justice Public Charter School, Inc. 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 Social Justice Public Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Social Justice Public Charter School, Inc.'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 Social Justice Public Charter School, Inc.'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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

November 2, 2021

OTHER INFORMATION

**SOCIAL JUSTICE PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO
OR ABOVE \$25,000 DURING THE FISCAL YEAR
YEAR ENDED JUNE 30, 2021**

Vendor	Good/Service	Amount
3 Oaks Resource Group	Classroom and office furniture	\$ 55,000
EdOps	Human resources analytics services; finance and accounting services; and student data and analytics services	40,000
Electronic Systems, Inc.	Student and teacher/staff IT and hardware	65,000