

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

**Financial Statements and Supplemental Schedule Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2021

JUNE 30, 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of the
Sojourner Truth Public Charter School

Report on the Financial Statements

We have audited the accompanying statement of financial position of Sojourner Truth Public Charter School (the School) as of June 30, 2021, and the related statements of activities and changes in net assets, 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 controls 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the auditing standards established pursuant to the District of Columbia School Reform Act, Public Law No. 104-134, 110 Stat. 1321-121, 2204(c)(ii)(B)(ix) (1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended). 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 controls 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 controls. 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 School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of vendors contracted for services in excess of \$25,000, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, is required by the District of Columbia Public Charter School Board and has not been subjected to the auditing procedures applied in the audits of the basic 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 23, 2021, on our consideration of the School's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls 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 School's internal controls over financial reporting and compliance.

Washington, D.C.
November 23, 2021



SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Statement of Financial Position

As of June 30, 2021

ASSETS

Current assets

Cash	\$	681,229
Accounts receivable		191,346
Prepaid expense and other assets		64,609
Total current assets		937,184
Property and equipment, net		124,592
Total Assets	\$	1,061,776

LIABILITIES AND NET ASSETS

Accounts payable	\$	39,900
Accrued salaries and payroll withholdings		68,773
Total Liabilities		108,673

Net Assets

Net assets without donor restrictions		949,074
Net assets with donor restrictions		4,029
Total Net Assets		953,103
Total Liabilities and Net Assets	\$	1,061,776

The accompanying notes are an integral part of this financial statement.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2021

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue and Support

Per pupil allocation:

General	\$	1,099,332
Special education		340,044
At risk students		79,099
LEP/NEP allocation		33,252
DC facilities allowance		306,720
Federal entitlement		90,637
Federal grants		342,758
State and Local government grants		45,050
Foundation grants		452,201
Grants and contributions		19,600
Total Revenue and Support		2,808,693
Net Assets released from restriction		382,208
Total Revenue		3,190,901

Expenses

Program expense		1,877,087
General and administrative		398,096
Fundraising		42,873
Total Expenses		2,318,056
Change in Net Assets Without Donor Restrictions before Other Grant Activity		872,845

CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS

Grants and contributions		4,029
Release from restriction		(382,208)
Change in Net assets with Donor-restrictions		(378,179)
Changes in net assets		494,666
Net assets, beginning of year		458,437
Net Assets, End of Year	\$	953,103

The accompanying notes are an integral part of this financial statement.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Statement of Functional Expenses For the Year Ended June 30, 2021

	Educational Programs	General and Administrative	Fundraising	Total
Personnel, Salaries and Benefits				
Salaries	\$ 1,080,284	\$ 244,208	\$ 28,875	\$ 1,353,367
Employee benefits	108,082	22,217	2,627	132,926
Payroll taxes	89,496	20,231	2,392	112,119
Professional development	30,286	7,102	533	37,921
Other Staff Expense	7,353	1,724	129	9,206
Total personnel, salaries and benefits	<u>1,315,501</u>	<u>295,482</u>	<u>34,556</u>	<u>1,645,539</u>
Direct Student Costs				
Supplies and materials	31,505	-	-	31,505
Contracted instruction fees	68,541	-	-	68,541
Textbooks	3,263	-	-	3,263
Food service/catering	6,343	-	-	6,343
Student assessments	3,844	-	-	3,844
Other student costs	10,510	-	-	10,510
Total direct student costs	<u>124,006</u>	<u>-</u>	<u>-</u>	<u>124,006</u>
Occupancy Expenses				
Rent	263,555	61,805	4,640	330,000
Occupancy service expense	12,822	3,007	226	16,055
Total occupancy expenses	<u>276,377</u>	<u>64,812</u>	<u>4,866</u>	<u>346,055</u>
Office Expenses				
Office supplies and materials	16,627	3,899	293	20,819
Telecommunications	22,207	5,208	391	27,806
Copier rental and services	74	17	1	92
Postage and shipping	1,646	386	29	2,061
Noncapitalized technology	5,074	1,190	89	6,353
Total office expenses	<u>45,628</u>	<u>10,700</u>	<u>803</u>	<u>57,131</u>
General Expenses				
Insurance	10,435	2,447	184	13,066
Authorizer fee	16,502	3,870	291	20,663
Accounting, auditing, payroll	47,694	11,184	840	59,718
Depreciation	24,496	5,744	431	30,671
Computer support fees	5,524	1,295	97	6,916
Fundraising fees	-	-	613	613
Other professional expense	4,303	1,009	76	5,388
Dues, fees and losses	6,621	1,553	116	8,290
Total general expenses	<u>115,575</u>	<u>27,102</u>	<u>2,648</u>	<u>145,325</u>
Total Expenses	<u>\$ 1,877,087</u>	<u>\$ 398,096</u>	<u>\$ 42,873</u>	<u>\$ 2,318,056</u>

The accompanying notes are an integral part of this financial statement.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Statement of Cash Flows For the Year Ended June 30, 2021

Cash Flows from Operating Activities

Changes in net assets	\$	494,666
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense		30,671
Effect of changes in non-cash assets and liabilities:		
Accounts receivable		(124,249)
Prepaid expenses and other assets		(33,428)
Accounts payable		30,066
Accrued salaries and payroll withholdings		66,890
Net Cash from Operating Activities		464,616

Cash Flows from Investing Activities

Purchase of property and equipment		(133,564)
Net change in cash		331,052
Cash, beginning of year		350,177
Cash, End of Year	\$	681,229

The accompanying notes are an integral part of this financial statement.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021

1. ORGANIZATION

Sojourner Truth Public Charter School (the School) was incorporated in the District of Columbia in June 2019 and opened its doors in August 2020 to students. The School is DC's first public Montessori middle and high school. It is committed to celebrating the uniqueness of every individual and engaging in anti-racist and anti-bias work at all levels. Its mission is to empower students to graduate ready for success in college, career, and life.

On July 1, 2020, the School entered into a contract with the District of Columbia Public Charter School Board (the Board), granting the School a charter for the establishment of a public charter school in Washington, DC. The charter expires on June 30, 2035. The Board has the authority to revoke the charter for violations of applicable laws and conditions, terms and procedures set forth in the charter. The School's current charter provides for enrollment of up to 450 students. The School reserves the right to adjust the number of students in each grade, while staying within the confines of the total local educational agency ("LEA") enrollment for each school year. Under the provisions of the contract, the Board is to make annual payments to the School for services provided to the students based on the number of students attending the School each year. The School is and shall remain a District of Columbia nonprofit organization in accordance with the District of Columbia Nonprofit Corporation Act.

The School started operations on July 1, 2019. For the year ended June 30, 2020, the School was still in its planning year and did not have enrollments.

Truth served 92 students across 6th and 7th grade during the school year that ended 6/30/2021. It will add 60 students and one grade level each year until it reaches a full size of 450 total students from 6th grade to 12th grade during the school year 2026-2027.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the School are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable consist primarily of amounts due from governmental agencies and are recorded at their net realizable value. The School did not record an allowance for doubtful accounts as of June 30, 2021, as management believes that all account receivables were fully collectible.

Property and Equipment

Property and equipment valued in excess of \$1,000, with an estimated useful life of more than one year, is capitalized and recorded at cost. Likewise, bulk purchases of capital assets with unit costs of less than \$1,000, but total monetary values for one-time acquisitions exceeding \$5,000, are capitalized as a group. Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of the asset. Replacements, maintenance, and repairs that do not improve the useful life of an asset are expensed as incurred.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors, or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the School has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions. Net assets with donor restriction for specific purpose was \$4,029 as of June 30, 2021.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by the School in perpetuity. There were no net assets with donor restrictions in perpetuity as of June 30, 2021.

Revenue Recognition

The 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 and a facilities allotment. The School recognizes this funding in the year in which the School term is conducted. Revenue from other government sources are recognized as earned.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Grants and contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Revenue from other government sources is recognized as earned. It is considered earned once all conditions are met.

Functional Expenses Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Expenses are charged directly to program services, general and fundraising based on specific identification, when determinable. Direct student costs are 100% attributed to educational programs. Salaries and benefits are charged to programs based on time and effort. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the School. The basis of the allocation for most general and administrative costs is direct salaries.

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable District of Columbia income tax laws.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity'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 School performed an evaluation of uncertain tax positions as of June 30, 2021 and determined that there were no matters that would require recognition in the financial statements, or which may have any effect on its tax-exempt status. As of June 30, 2021, the statute of limitations for fiscal years 2020 and 2021 remains open with the U.S. Federal jurisdiction and local jurisdictions in which the School files tax returns. It is the School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The table below presents financial assets available to be used within one year as of June 30, 2021:

Liquidity and Availability of Resources	Amount
Cash	\$ 681,229
Accounts receivable	191,346
Total financial assets at year end	872,575
Less amounts not available to be used within one year:	
Donor contributions restricted for specific purposes	4,029
Financial assets available to meet cash needs for general expenditures within one year	\$ 868,546

The School has a policy to structure its financial assets to be available for its general expenses, liabilities, and other obligations as they come due. The School has a goal to maintain financial assets on hand to meet at least 45 days of operating expenses.

Recent Accounting Pronouncements

In July 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-10, *Codification Improvements to Topic 842, Leases*, and in February 2016, ASU No. 2016-02, *Leases*, which created a singular reporting model for leases. This standard will be effective for periods beginning after December 15, 2021.

Management is evaluating the impact of this pronouncement on the financial statements and will implement this pronouncement by its effective date.

Subsequent Events

The School's management evaluated the accompanying financial statements for subsequent events and transactions through November 23, 2021, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2021

3. PROPERTY AND EQUIPMENT

As of June 30, 2021, property and equipment consisted of the following:

	<u>Amount</u>	<u>Estimated Useful Lives</u>
Computer equipment	\$ 78,210	3 Years
Furniture and Equipment	44,010	7 Years
Vehicle	21,000	6 Years
Leasehold Improvements	12,043	Life of Lease
	<u>155,263</u>	
Less: accumulated depreciation	30,671	
Total	<u><u>\$ 124,592</u></u>	

Depreciation expense was \$30,671 for the year ended June 30, 2021.

4. COMMITMENTS AND CONTINGENCIES

Grants

The School receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The School's management believes such disallowance, if any, would be immaterial.

The School receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have a material effect on the School's programs.

During the year ended June 30, 2021, the School earned revenue of \$2,336,892, from the District of Columbia, which was 83% of the total revenue and support. These amounts are reflected as per pupil allocation, special education, at risk, LEP/NEP allocation, facilities allowance, local government grants, Federal entitlement and Federal grants in the accompanying statements of activities and changes in net assets.

SOJOURNER TRUTH PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2021

4. COMMITMENTS AND CONTINGENCIES (continued)

Operating Lease

On January 28, 2020, the School entered into a leasing agreement with Latin American Montessori Bilingual Public Charter School to a sublease premises consisting of 4 classrooms plus other office or space on the second floor of 3825 18th Street NE in Washington D.C. This lease was initially set to expire on June 30, 2021, with an option to extend one additional term of one year. On December 1, 2020, it was extended to expire June 30, 2022. The total annual rent of \$300,000 represent a rate of \$30 per square foot for 10,000 square feet.

On July 1, 2020, the School also entered into facilities use agreement with Perry Street Preparatory Public Charter School for a building located at 1800 Perry Street NE, Washington, DC. The total annual rent is \$30,000.

SUPPLEMENTAL SCHEDULE

SOJOURNER TRUTH MONTESSORI PUBLIC CHARTER SCHOOL

Schedule of Vendors Contracted for Services in Excess of \$25,000 For the Year Ended June 30, 2021 (UNAUDITED)

Vendor Name	Service Type	Total Contract Amount	Amount Paid during Fiscal year	Related Party
LAMB PCS	Rent and Food Service	\$ 300,000	\$ 306,343	No
Young & Well	OT, speech language therapy, psych services	Hourly contract	54,381	No
EdOps	Finance and accounting services	48,000	48,000	No
Perry Street Prep PCS	Rent for extra space	30,000	27,500	No



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees
Sojourner Truth Public Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sojourner Truth Montessori Public Charter School (the School), which comprise the statement of financial position as of June 30, 2021, the related statements of activities and changes in net assets, 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 23, 2021.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal controls. Accordingly, we do not express an opinion on the effectiveness of the School's internal controls.

A deficiency in internal controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC
November 23, 2021

SB & Company, LLC