

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

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

For the Years Ended June 30, 2022 and 2021

JUNE 30, 2022 AND 2021

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Trustees
Capital City Public Charter School Inc.

Opinion

We have audited the financial statements of Capital City Public Charter School Inc. (CCPCS), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CCPCS as of June 30, 2022 and 2021, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)(11)(B)(ix)(1996); D.C. Official Code 38-1802.04(ii)(B)(2001, as amended) (together “the Standards”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of CCPCS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CCPCS’ ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 CCPCS' internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CCPCS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from



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and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 respects in relation to the basic financial statements as a whole.

The unaudited schedules of vendors contracted for services in excess of \$25,000, facility usage, and income not subject to the District of Columbia Public Charter School Board (DC PCSB) administrative fees, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, are required by the DC PCSB 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022, on our consideration of CCPCS' internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the 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 CCPCS' internal controls over financial reporting and compliance.

Washington, D.C.
December 6, 2022

SB & Company, LLC

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Statements of Financial Position As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 22,283,772	\$ 19,977,732
Federal grants receivable	602,174	274,449
Other receivables	258,892	280,341
Prepaid expenses and other assets	252,560	161,484
Total Current Assets	23,397,398	20,694,006
Non-Current Assets		
Fixed assets, net	20,403,768	21,668,525
Interest rate swap	-	14,865
Total Non-Current Assets	20,403,768	21,683,390
Total Assets	\$ 43,801,166	\$ 42,377,396
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 383,372	\$ 317,480
Accrued compensation	1,490,165	1,342,334
Refundable advances	1,416	1,416
Capital lease payable	27,205	25,485
Loan payable	718,660	692,594
Total Current Liabilities	2,620,818	2,379,309
Long-Term Liabilities		
Capital lease, net of current portion	53,017	82,609
Loan payable, net of current portion	13,435,407	14,140,742
Deferred rent liability - ground lease	3,680,230	3,571,780
Total Long-Term Liabilities	17,168,654	17,795,131
Total Liabilities	19,789,472	20,174,440
Net Assets		
Without donor restrictions	23,942,969	22,146,745
With donor restrictions	68,725	56,211
Total Net Assets	24,011,694	22,202,956
Total Liabilities and Net Assets	\$ 43,801,166	\$ 42,377,396

The accompanying notes are an integral part of these financial statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2022, with Comparative Totals for 2021

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Totals
Revenue and Support				
Per pupil allocation-general education	\$ 13,305,574	\$ -	\$ 13,305,574	\$ 12,916,246
Per pupil allocation-categorical enhancements	8,637,007	-	8,637,007	7,180,527
Per pupil allocation-facilities allowance	3,414,816	-	3,414,816	3,431,855
Federal entitlements	727,607	-	727,607	753,674
Federal grants	3,017,626	-	3,017,626	1,223,036
Federal contributed non-financial assets	56,613	-	56,613	38,371
Local government contributions and grants	257,757	-	257,757	246,636
Private contributions and grants	272,687	61,571	334,258	200,463
Interest	16,871	-	16,871	11,828
Miscellaneous	214,165	-	214,165	63,367
Net assets released from restrictions	49,057	(49,057)	-	-
Total Revenue and Support	29,969,780	12,514	29,982,294	26,066,003
Expenses				
Educational programs	23,376,691	-	23,376,691	19,099,305
General and administrative	4,448,537	-	4,448,537	3,778,887
Fundraising	333,463	-	333,463	329,111
Total Expenses	28,158,691	-	28,158,691	23,207,303
Changes in Net Assets Before Other Activities	1,811,089	12,514	1,823,603	2,858,700
Other Revenue/(Expense)				
Change in fair value of interest rate swap	(14,865)	-	(14,865)	(176,111)
Changes in net assets	1,796,224	12,514	1,808,738	2,682,589
Net assets, beginning of year	22,146,745	56,211	22,202,956	19,520,367
Net Assets, End of Year	\$ 23,942,969	\$ 68,725	\$ 24,011,694	\$ 22,202,956

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

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Per pupil allocation-general education	\$ 12,916,246	\$ -	\$ 12,916,246
Per pupil allocation-categorical enhancements	7,180,527	-	7,180,527
Per pupil allocation-facilities allowance	3,431,855	-	3,431,855
Federal entitlements	753,674	-	753,674
Federal grants	1,223,036	-	1,223,036
Federal contributed non-financial assets	38,371	-	38,371
Local government contributions and grants	246,636	-	246,636
Private contributions and grants	139,543	60,920	200,463
Interest	11,828	-	11,828
Miscellaneous	63,367	-	63,367
Net assets released from restrictions	64,338	(64,338)	-
Total Revenue and Support	<u>26,069,421</u>	<u>(3,418)</u>	<u>26,066,003</u>
Expenses			
Educational programs	19,099,305	-	19,099,305
General and administrative	3,778,887	-	3,778,887
Fundraising	329,111	-	329,111
Total Expenses	<u>23,207,303</u>	<u>-</u>	<u>23,207,303</u>
Change in Net Assets Before Non-Operating Revenue (Loss)	<u>2,862,118</u>	<u>(3,418)</u>	<u>2,858,700</u>
Change in fair value of interest rate swap	<u>(176,111)</u>	<u>-</u>	<u>(176,111)</u>
Changes in net assets	2,686,007	(3,418)	2,682,589
Net assets, beginning of year	19,460,738	59,629	19,520,367
Net Assets, End of Year	<u>\$ 22,146,745</u>	<u>\$ 56,211</u>	<u>\$ 22,202,956</u>

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

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Statement of Functional Expenses For the Year Ended June 30, 2022, with Comparative Totals for 2021

	2022					
	Educational Programs	General and Administrative	Fundraising	Total	2021 Totals	
Personnel, Salaries and Benefits						
Salaries	\$ 13,737,773	\$ 2,696,333	\$ 239,536	\$ 16,673,642	\$ 14,585,376	
Employee benefits	2,699,894	551,992	48,741	3,300,627	2,239,315	
Payroll taxes	1,192,680	234,098	20,797	1,447,575	1,231,190	
Professional development	129,547	25,427	2,259	157,233	121,777	
Other staff-related expense	130,999	25,712	2,284	158,995	91,369	
Total personnel, salaries and benefits	17,890,893	3,533,562	313,617	21,738,072	18,269,027	
Direct Student Costs						
Supplies, materials, snacks	309,263	-	-	309,263	324,897	
Fieldwork and other transportation	36,966	-	-	36,966	16,283	
Contracted instruction fees	409,317	-	-	409,317	344,623	
Textbooks	46,082	-	-	46,082	18,436	
Student assessments	37,721	-	-	37,721	31,464	
Student food service program	546,774	-	-	546,774	237,729	
Other student costs	265,770	-	-	265,770	125,156	
Total direct student costs	1,651,893	-	-	1,651,893	1,098,588	
Occupancy Expenses						
Rent	186,465	4,553	228	191,246	108,450	
Maintenance and repairs	117,613	2,872	144	120,629	83,092	
Utilities and garbage removal	360,138	8,795	440	369,373	272,922	
Contracted building services	441,589	10,784	539	452,912	98,526	
Janitorial supplies	16,416	401	20	16,837	5,484	
Interest - facilities	322,789	7,883	394	331,066	506,256	
Depreciation - facilities	1,278,651	31,225	1,561	1,311,437	1,306,809	
Total occupancy expenses	2,723,661	66,513	3,326	2,793,500	2,381,539	
Office Expenses						
Office supplies	32,282	6,336	563	39,181	63,858	
Equipment rent and maintenance	49,019	6,142	713	55,874	14,766	
Telecommunications	56,825	11,154	991	68,970	73,557	
Postage	11,505	2,258	201	13,964	25,662	
Printing and copying	6,671	1,309	116	8,096	6,530	
Computer support expenses	250,434	49,155	4,367	303,956	283,269	
Interest - operating assets	4,719	926	82	5,727	7,346	
Total office expenses	411,455	77,280	7,033	495,768	474,988	
General Expenses						
Insurance	100,851	19,795	1,759	122,405	115,513	
Authorizer fees	-	246,431	-	246,431	232,459	
Accounting, auditing, and payroll	-	223,048	-	223,048	182,018	
Legal fees	15,410	6,013	-	21,423	19,116	
Other professional and fundraising fees	-	47,299	4,644	51,943	10,193	
Dues, fees, licenses, and fines	21,484	43,098	3,084	67,666	48,658	
Other general expense	213,798	29,860	-	243,658	111,420	
Depreciation - operating assets	347,246	155,638	-	502,884	263,784	
Total general expenses	698,789	771,182	9,487	1,479,458	983,161	
Total Expenses	\$ 23,376,691	\$ 4,448,537	\$ 333,463	\$ 28,158,691	\$ 23,207,303	

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

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

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

	Educational Programs	General and Administrative	Fundraising	Total
Personnel, Salaries and Benefits				
Salaries	\$ 11,879,760	\$ 2,454,878	\$ 250,738	\$ 14,585,376
Employee benefits	1,817,733	383,482	38,100	2,239,315
Payroll taxes	1,002,818	207,208	21,164	1,231,190
Professional development	99,189	20,495	2,093	121,777
Other staff-related expense	74,421	15,377	1,571	91,369
Total personnel, salaries and benefits	14,873,921	3,081,440	313,666	18,269,027
Direct Student Costs				
Supplies, materials, snacks	324,897	-	-	324,897
Fieldwork and other transportation	16,283	-	-	16,283
Contracted instruction fees	344,623	-	-	344,623
Textbooks	18,436	-	-	18,436
Student assessments	31,464	-	-	31,464
Student food service program	237,729	-	-	237,729
Other student costs	125,156	-	-	125,156
Total direct student costs	1,098,588	-	-	1,098,588
Occupancy Expenses				
Rent	105,739	2,582	129	108,450
Maintenance and repairs	81,043	1,957	92	83,092
Utilities and garbage removal	266,099	6,498	325	272,922
Contracted building services	96,189	2,251	86	98,526
Janitorial supplies	5,346	131	7	5,484
Interest - facilities	493,599	12,054	603	506,256
Depreciation - facilities	1,274,138	31,115	1,556	1,306,809
Total occupancy expenses	2,322,153	56,588	2,798	2,381,539
Office Expenses				
Office supplies	52,013	10,747	1,098	63,858
Equipment rent and maintenance	12,027	2,485	254	14,766
Telecommunications	59,913	12,380	1,264	73,557
Postage	20,902	4,319	441	25,662
Printing and copying	5,319	1,099	112	6,530
Computer support expenses	230,726	47,674	4,869	283,269
Interest - operating assets	5,984	1,236	126	7,346
Total office expenses	386,884	79,940	8,164	474,988
General Expenses				
Insurance	94,086	19,441	1,986	115,513
Authorizer fees	-	232,459	-	232,459
Accounting, auditing, and payroll	-	182,018	-	182,018
Legal fees	13,750	5,366	-	19,116
Other professional and fundraising fees	-	9,628	565	10,193
Dues, fees, licenses, and fines	19,737	26,989	1,932	48,658
Other general expense	108,041	3,379	-	111,420
Depreciation - operating assets	182,145	81,639	-	263,784
Total general expenses	417,759	560,919	4,483	983,161
Total Expenses	\$ 19,099,305	\$ 3,778,887	\$ 329,111	\$ 23,207,303

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

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,808,738	\$ 2,682,589
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Depreciation expense	1,814,321	1,570,595
Amortization of loan issuance costs	15,436	15,436
Change in fair value of interest rate swap	14,865	176,111
Effect of changes in non-cash assets and liabilities:		
Federal grants receivable	(327,725)	54,222
Other receivables	21,449	(61,149)
Prepaid expenses	(91,076)	(67,370)
Accounts payable and accrued expenses	65,892	1,334
Accrued compensation	147,831	-
Refundable advances	-	(82,242)
Rent liability - ground lease	108,450	108,450
Net cash from operating activities	<u>3,578,181</u>	<u>4,397,976</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	<u>(549,564)</u>	<u>(770,011)</u>
Cash Flows from Financing Activities		
Principal payments on loan payable	(694,705)	(669,510)
Principal payments on capital lease payable	<u>(27,872)</u>	<u>(26,254)</u>
Net cash from financing activities	<u>(722,577)</u>	<u>(695,764)</u>
Net change in cash and cash equivalent	2,306,040	2,932,201
Cash and cash equivalents, beginning of year	<u>19,977,732</u>	<u>17,045,531</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 22,283,772</u></u>	<u><u>\$ 19,977,732</u></u>
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	<u><u>\$ 321,357</u></u>	<u><u>\$ 498,166</u></u>

The accompanying notes are an integral part of these financial statements.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

1. ORGANIZATION

Capital City Public Charter School Inc. (CCPCS) is a not-for-profit corporation incorporated in the District of Columbia in December of 1999 and began operations on September 6, 2000. CCPCS implements the Expeditionary Learning Outward Bound (ELOB) school design, which uses “learning expeditions” to challenge students to meet rigorous academic and character standards.

The mission of CCPCS is to enable a diverse group of children to meet high expectations; develop creativity, critical thinking, and problem-solving skills; and achieve a deep understanding of complex subjects, while acquiring a love of learning and a strong sense of community and character.

CCPCS was incorporated exclusively for educational purposes and is authorized by the District of Columbia Public Charter School Board (the Board). The current charter covers a term of 15 years through May 2030 and authorized an enrollment maximum of 974 students. On or before the completion of the charter, the charter may be renewed at the discretion of the Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of CCPCS are presented on the accrual basis of accounting in accordance with accounting principles generally accepted (GAAP) 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and money market funds with maturities, when initially purchased, of less than three months.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Grants and Other Receivables

Receivables consist of amounts due from Federal grants, other grants, pledges from individuals, and other receivables from the Office of the State Superintendent of Education of the District of Columbia. The management of CCPCS reviews the collectability of the receivables on a monthly basis. Management believes all amounts as of June 30, 2022 are fully collectable and, therefore, no allowance for doubtful accounts is recorded.

Fixed Assets, Net

CCPCS capitalizes all fixed asset acquisitions of \$1,000 and above. Fixed assets are carried at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or for leasehold improvements, the shorter of the estimated useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred.

Debt Issuance Costs

Debt issuance costs consist of costs associated with obtaining the loan payable. The debt financing costs of \$355,028 are being amortized using the effective interest rate method. Accumulated amortization was \$123,488 and \$108,052, as of June 30, 2022 and 2021, respectively, and the unamortized costs are reported net of loans payable on the statements of financial position.

Deferred Rent Liability

On October 17, 2011, CCPCS entered into a twenty-five year ground lease (the Ground Lease) with the District of Columbia for CCPCS facility at 100 Peabody Street, NW, Washington, D.C. The Ground Lease commenced on September 1, 2012. The Ground Lease contains an option to extend the term for an additional twenty-five years if exercised within twelve months prior to the expiration of the original term. The Ground Lease contains a credit for the amount spent on leasehold improvements and renovations of the building to be applied to the first fifteen years of rent on a dollar-for-dollar basis. Any remaining amount of renovation costs not used by year fifteen will be taken as a credit and amortized over the remaining term. Annual rent is \$1,496,000 before credits are applied to reduce cash payments. Under the terms of the original Ground Lease and the additional credits utilized, the credit is approximately \$32,074,950. Based on the current credit utilized, CCPCS will not pay rent until September 1, 2027. The future minimum Ground Lease payments are expected to be approximately \$5,325,050 assuming no future credits are utilized. The accounting for the Ground Lease recognizes all rental payments on a straight-line basis over the term of the Ground Lease.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Rent Liability (continued)

The recorded difference between the GAAP rent expense and the required Ground Lease payments is reflected as deferred rent liability-ground lease in the accompanying statements of financial position.

Rent expense for the years ended June 30, 2022 and 2021, was \$108,450, respectively, and no rent was paid in the years ended June 30, 2022 and 2021.

Revenue Recognition

A substantial portion of CCPCS's revenue is derived from the District of Columbia Public School system based on enrollment. The revenue is recognized ratably over the school year. Revenue from local and supplemental programs (which includes before and aftercare services and supplemental summer fees) is recognized as the services are provided. Revenue from Federal government sources generally represents various Federal entitlements and grants and are recognized as earned.

Grants and Contributions

CCPCS reports unconditional grants and contributions as net assets without donor restrictions and available for general operations, unless specifically restricted by the donor. Unconditional grants and contributions received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time are reported as net assets with donor restrictions. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional grants and contributions are not recorded as revenue until the related conditions have been satisfied. Amounts received for conditional grants are recorded as refundable advances until the conditions have been met.

Contributed Non-Financial Assets

Contributed non-financial assets are recognized as contributions if the services (a) create or enhance nonfinancial assets, (b) require specialized skills and are performed by people with those skills, and (c) would otherwise be purchased by CCPCS. Contributed non-financial assets consist of goods and commodities valued at their fair market value date of the contribution. As of June 30, 2022 and 2021, contributed non-financial assets consisted of donated goods and commodities of \$56,613 and \$39,536, respectively.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 CCPCS 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. As of June 30, 2022 and 2021, there were \$68,725 and \$56,211, respectively, in net assets with donor restrictions for a specific time period or purpose.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by CCPCS in perpetuity. There were no net assets with donor restrictions in perpetuity as of June 30, 2022 and 2021.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, occupancy, depreciation, and amortization. These expenses are allocated on the basis of estimates of time and effort by employees or facilities use percentage. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

Income Taxes

CCPCS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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. CCPCS performed an evaluation of uncertain tax positions as of June 30, 2022 and 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, 2022, the statute of limitations for fiscal years 2019 through 2022 remains open with the U.S. Federal jurisdiction and local jurisdictions in which CCPCS files tax returns. It is CCPCS's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 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, 2022 and 2021:

Liquidity and Availability of Resources	2022	2021
Cash and cash equivalents	\$ 22,283,772	\$ 19,977,732
Federal grants receivable	602,174	274,449
Other receivables	258,892	280,341
Total Financial Assets at Year End	23,144,838	20,532,522
Less Amounts not Available to be Used Within One Year:		
Donor contributions restricted to specific purposes or time period	68,725	56,211
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 23,076,113	\$ 20,476,311

CCPCS has a policy to structure its financial assets to be available for its general expenses, liabilities, and other obligations as they come due. CCPCS has a goal to maintain financial assets on hand to meet at least 45 days of operating expenses. Additionally, its current ratio goal (total current assets to current liabilities) is 1.0, as established by the Board.

Implemented Accounting Pronouncement

In September 2020, the *Financial Accounting Standards Board* (FASB) issued Accounting Update Standards (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires the presentation of contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. This standard was effective for period beginning after June 15, 2021.

CCPCS adopted this pronouncement for the year ended June 30, 2022; however, the adoption did not have a significant effect on the financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require CCPCS to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2019, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provided further clarity and transition options for adoption of FASB ASU No. 2016-02. This standard is effective for periods beginning after December 15, 2021.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

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

Reclassifications

Certain 2021 amounts have been reclassified to confirm with 2022 presentation.

Subsequent Events

CCPCS's management evaluated the accompanying financial statements for subsequent events and transactions through December 6, 2022, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred, except as described in Note 6, that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. FIXED ASSETS, NET

As of June 30, 2022 and 2021, fixed assets consisted of the following:

	2022	2021	Useful Life
Furniture and equipment	\$ 4,673,670	\$ 4,223,116	3-10 years
Equipment under capital lease	144,830	144,831	Lease term
			Shorter of lease term or
Leasehold improvements	30,464,828	30,365,817	life of improvement
Total	35,283,328	34,733,764	
Less: accumulated depreciation and amortization	14,879,560	13,065,239	
Total Fixed Assets	\$ 20,403,768	\$ 21,668,525	

Depreciation expense was \$1,814,321 and \$1,570,595, for the years ended June 30, 2022 and 2021, respectively.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

4. FAIR VALUE MEASUREMENTS (continued)

The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CCPCS' assets measured at fair value as of June 30, 2022 and 2021, represents an interest Rate Swap of \$0 and \$14,864, respectively, and were valued as Level 2.

Interest Rate Swap Obligation - Fair value is estimated by the commercial bank issuing the swap agreement based on current market terms of swap agreements with similar durations and interest rates.

5. REFUNDABLE ADVANCES

CCPCS records grant/contract revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. The balance in refundable advances as of June 30, 2022 and 2021, represents amounts received that will be expended in the next fiscal year in accordance with the grant/contract period.

As of June 30, 2022 and 2021, refundable advances consisted of the following:

	<u>2022</u>	<u>2021</u>
Chesapeake Bay Trust	<u>\$ 1,416</u>	<u>\$ 1,416</u>

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

6. DEBT

Loan Payable

Loan payable as of June 30, 2022 and 2021, consisted of the following:

	2022	2021
Principal balance	\$ 14,385,607	\$ 15,080,312
Less: current portion	718,660	692,594
Less: unamortized loan issuance costs	231,540	246,976
Total long-term loan payable	<u>\$ 13,435,407</u>	<u>\$ 14,140,742</u>

In July 2014, the District of Columbia issued \$19,200,000 of tax-exempt variable rate demand revenue bonds (the Series 2014 Bonds). The proceeds of the bonds were loaned to CCPCS via direct placement with a bank. The bonds mature in July 2044. Both principal and interest are payable monthly based on a 23-year amortization such that the principal balance will be retired at the end of the first option period of the ground lease discussed in Note 8. Payments began September 1, 2014 and increase by 4% each September. The variable interest rate was set at 78% of the 30-day LIBOR plus 1.76% during the seven-year initial floating rate period, which was set to end in July 2021. In February 2019, the terms of the bond were amended in a reissuance transaction where the variable interest rate was modified. As of June 30, 2022, the variable rate was 1.97%. During this 2019 reissuance, the initial floating rate period was extended to July 2025.

The Series 2014 Bond proceeds were used to repay the outstanding balances of the original Senior Loan and Subordinate Debt used to finance renovating and equipping CCPCS, as well as to fund certain issuance costs. The Series 2014 Bonds are secured by substantially all of the assets of CCPCS and contain restrictive covenants.

In July 2014, the CCPCS entered into an interest rate swap agreement with a bank for a seven-year term that ended July 1, 2021 to fix the effective interest rate on the loan payable. The swap agreement was not renewed. Under the agreement, CCPCS pays the bank a fixed rate of interest at 3.69%, and the bank paid the CCPCS a variable rate of interest based on 79% of 1-Month LIBOR plus 1.90% on a monthly basis. The interest payments were based on the notional amount which was equal to 50% of the outstanding principal balance of the loan payable of \$9,600,000 at issuance. In accordance with accounting principles generally accepted in the United States of America, CCPCS recorded an asset of \$0 and \$14,865, as of June 30, 2022 and 2021, respectively, which approximated the fair market value of the interest rate swap. An adjustment was recorded to properly state the swap asset at fair market value, and the amount was included in the gain (loss) from interest rate swap in the accompanying statements of activities and change in net assets. The amount of loss from the interest rate swap for the years ended June 30, 2021, was \$14,866. The swap expired for the year ended June 30, 2022.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

6. DEBT (continued)

Loan Payable (continued)

Subsequent to year end, CCPCS entered into an agreement with its current financial institution to refinance the loan in the amount of \$14.5 million. The loan has a 20-year swap through August 1, 2042 to fix the rate for 95% of the loan. The loan is set to mature on July 1, 2044.

The future scheduled maturities of the loan payable as of June 30, 2022, were as follows:

For the Years Ending	
June 30,	Amount
2023	\$ 718,660
2024	747,980
2025	776,129
2026	805,338
2027	835,646
Thereafter	10,501,854
Total	<u>\$ 14,385,607</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by CCPCS has been restricted by donors primarily for a specific time period or purpose. As of June 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

Purpose	2022	2021
Community values	\$ 2,498	\$ 5,046
Students scholarships	37,800	37,804
Families in need	10,402	4,708
Literacy program	1,950	1,950
National philanthropic trust garden project	10,000	-
Other various projects	6,075	6,703
	<u>\$ 68,725</u>	<u>\$ 56,211</u>

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

8. COMMITMENTS AND CONTINGENCIES

Concentration of Revenue

CCPCS receives an annual per pupil allotment from the District of Columbia based on its student enrollment and other grants which is a substantial portion of its revenue. If a significant reduction in this revenue should occur, it may have a material effect on CCPCS' programs. During the years ended June 30, 2022 and 2021, CCPCS earned revenue of \$29,360,387 and \$25,751,947, respectively, from the District of Columbia, which is approximately 98% and 99% of total revenue, respectively. These amounts are reflected as the District of Columbia per pupil allocation, categorical enhancement, facilities allowance, Federal entitlements and grants and other local government contributions and grants revenue in the accompanying statements of activities and changes in net assets.

Grants

CCPCS 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 CCPCS. CCPCS' management believes such disallowance, if any, would be immaterial.

Leases

CCPCS has entered into leases for certain storage space and office equipment. Storage space is rented on a month to month basis where fees are charged using a specified dollar per square foot. For the year ended June 30, 2022, CCPCS incurred \$82,796 of rental expense. CCPCS is obligated under its equipment leases through 2025. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The assets are amortized over the lower of their related lease terms or their estimated useful lives. Amortization of assets under capital leases is included in depreciation expense for the years ended June 30, 2022 and 2021.

Minimum future lease payments as of June 30, 2022 under the leases were as follows:

For the Years Ending June 30:	Interest	Principal
2023	\$ 4,008	\$ 27,205
2024	2,183	31,417
2025	385	21,600
Total minimum lease payments	<u>\$ 6,576</u>	<u>\$ 80,222</u>

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Financial Statements June 30, 2022 and 2021

9. RETIREMENT PLAN

CCPCS sponsors a 403(b) retirement plan (the Plan). Commencing with the date of hire, both full and part-time employees who average a minimum of 20 hours per week are eligible to participate in the Plan. The Plan provides funding in the amount of 3% for employees who contribute nothing to the Plan and up to 6% of each eligible employee's annual salary for those employees who contribute 3% to the Plan. CCPCS's contribution under the Plan for the years ended June 30, 2022 and 2021, was \$831,607 and \$749,723, respectively.

**SUPPLEMENTAL SCHEDULES
(UNAUDITED)**

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Schedule of Vendors Contracted for Services in Excess of \$25,000 For the Year Ended June 30, 2022 (UNAUDITED)

Award Date	Vendor Name	Goods and/or Services	Minimum Contract Amount	Maximum Contract Amount	Conflict of Interest ("Yes" or "No")
6/1/2021	Cigna	Health Insurance Services	\$ 1,500,000	\$ 2,500,000	No
6/15/2021	Revolution Foods, Inc.	Food Services	400,000	600,000	No
8/15/2021	Busy Bee Environmental Services, Inc.	General Contracting/Janitorial Services	500,000	760,000	No
7/1/2021	Pepco	Utilities	175,000	350,000	No
8/1/2021	Global Equipment Company, Inc.	Fixed Assets	100,000	210,000	No
7/10/2021	DWW Psychological Services, LLC	Student evaluations	90,000	125,000	No
7/16/2021	Conaboy and Associates, Inc.	Contracted Special Education Services	135,000	150,000	No
6/15/2021	The Hartford	Business Insurance Services	110,000	120,000	No
6/10/2022	The Whiting-Turner Contracting Company	Construction In Progress Services	170,000	170,000	No
4/6/2021	CDW Government, Inc.	Technology	195,000	250,000	No
4/6/2021	Corbett Technology Solutions, Inc.	Technology/Maintenance	65,000	70,000	No
8/9/2021	EdOps	Financial Services	80,000	125,000	No
5/18/2022	KIPP DC	Professional Development	80,000	90,000	No
8/5/2021	Able Moving and Storage	Storage	50,000	100,000	No
8/4/2021	IHealth.io Inc.	Health Services	145,000	200,000	No
1/1/2021	Staples Advantage	Office Supplies	95,000	125,000	No
7/26/2021	City Year	Contracted Instruction	70,000	100,000	No
7/1/2021	DC Water and Sewer Authority	Utilities	50,000	100,000	No
6/2/2021	Namely, Inc.	Payroll Provider	50,000	65,000	No
6/15/2021	EL Education, Inc.	Professional Development	60,000	70,000	No
6/15/2021	Amazon.com	Student Supplies	25,000	70,000	No
6/15/2021	SB & Company, LLC	Auditor	35,000	50,000	No
1/1/2021	J.S. Carroccio Landscaping, LLC	General Contracting/Janitorial Services	25,000	35,000	No
7/1/2021	DC-NET	Utilities	30,000	50,000	No
2/10/2022	Rediker Software, Inc.	Technology	25,000	30,000	No
5/24/2022	United Business Technologies, Inc.	Technology	25,000	29,316	No
6/1/2021	ULINE	Office Supplies	25,000	28,689	No
5/31/2022	Reliance Standard Life Insurance Company	Insurance Services	25,000	28,465	No
6/15/2021	Lakeshore	Student Supplies	25,000	40,000	No
4/12/2021	Calvert Controls, Inc.	General Contracting Services	24,000	54,000	No

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

**Schedule of Facility Usage
For the Year Ended June 30, 2022
(UNAUDITED)**

	<u>Square Footage</u>
Total square footage of leased facilities	297,283
Total square footage of owned facilities	<u>-</u>
Total square feet of combined facilities	<u><u>297,283</u></u>

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

**Schedule of Income Not Subject to DC PCSB Administrative Fees
For the Year Ended June 30, 2022
(UNAUDITED)**

Total Revenue Per the Financial Statement	\$ 29,967,429
Income Not Subject to the DC PCSB Administrative Fees	
Private grants	334,256
Net gain on sales of assets	4,403
Unrealized gains/losses	(14,865)
Interest/Investment Income	16,870
Donated goods and services	200
CARES-ESSER I	2,870
ESSER II	1,723,673
ARP IDEA 611	44,733
ARP IDEA 619	1,515
PCS reopening faculties grant	90,909
COVID-19 school-based testing	144,691
COVID-19 positive case response	223,352
P-EBT	3,063
Total Income Not Subject to the DC PCSB Administrative Fee	2,575,670
Adjusted Revenue Subjected to Authorizer Fee	\$ 27,391,759
0.9% of the Adjusted Revenue, Fee to be Paid to the DC PCSB	
	\$ 246,526
Total Authorizer Fee Paid for the Year Ended June 30, 2022	241,637
Over/(Under) Paid	\$ (4,889)



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**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
Capital City Public Charter School Inc.

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 Capital City Public Charter School Inc., (CCPCS), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2022.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCPCS' 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 CCPCS' internal controls. Accordingly, we do not express an opinion on the effectiveness of the CCPCS' internal controls.

A deficiency in internal controls exists when the design or operation of a controls 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CCPCS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the CCPCS' internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.
December 6, 2022

SB & Company, LLC



**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROLS
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Trustees
Capital City Public Charter School, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Capital City Public Charter School Inc., (CCPCS), compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of CCPCS' major Federal programs for the year ended June 30, 2022. CCPCS' major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

In our opinion, CCPCS complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of CCPCS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the CCPCS' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to CCPCS' Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CCPCS' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the CCPCS' compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CCPCS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CCPCS' internal controls over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal controls over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CCPCS' internal controls over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal controls over compliance that we identified during the audit.



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Report on Internal Controls over Compliance

A *deficiency in internal controls over compliance* exists when the design or operation of controls 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 controls 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 controls over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal controls over compliance that might be material weaknesses or significant deficiencies in internal controls over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal controls over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls 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.

Washington, D.C.
December 6, 2022

SB & Company, LLC

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Schedule of Expenditures of Federal Awards For the year Ended June 30, 2022

Funding Agency/Pass-through Grantor/ Program Title	Assistance Listing	Grant or Passthrough Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Education</u>				
Passed through D.C. Office of the State Superintendent of Education (OSSE):				
Public Charter School Re-Opening Facilities Grant	21.027	N/A	\$ 90,909	\$ -
Title I: Grants to Local Educational Agencies	84.010A	N/A	513,329	-
Title II: Improving Teacher Quality State Grants	84.367A	N/A	108,311	-
Title III: English Language Acquisition Grants	84.365A	N/A	42,457	-
Title IV: Student Support and Academic Enrichment	84.424A	N/A	63,509	-
Special Education Clusters:				
Part B section 611 – Grant to Local Education Agencies - IDEA	84.027A	N/A	203,540	-
ARP IDEA 611	84.027X	N/A	44,733	-
ARP IDEA 619	84.173X	N/A	1,515	-
Part B section 619 – Preschool Grant to Local Education Agencies - IDEA	84.173A	N/A	1,044	-
Total Special Education Clusters			250,832	-
SOAR Increasing Academic Quality	84.370C	N/A	179,832	-
Elementary & Secondary School Emergency Relief Fund - CARES Act (COVID-19)	84.425D	N/A	1,726,552	-
COVID-19 School Based Testing	93.323	N/A	144,691	-
Total U.S. Department of Education			3,120,422	-
<u>U.S. Department of Agriculture</u>				
Passed through D.C. Public Schools:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	496,217	-
School Breakfast Program	10.553	N/A	125,531	-
Reimbursement for Emergency Ops Cost During COVID-19 (COVID-19)	10.555	N/A	3,063	-
Fresh Fruit and Vegetable Program (Noncash commodities)	10.555	N/A	56,613	-
Total Child Nutrition Cluster			681,424	-
Total U.S. Department of Agriculture			681,424	-
Total Federal Expenditures			\$ 3,801,846	\$ -

The accompanying notes are an integral part of this Schedule.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Capital City Public Charter School Inc. (CCPCS) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the schedule of expenditures of Federal awards (the Schedule) represents all Federal award programs with fiscal year 2022 cash or non-cash expenditure activities. For Single Audit testing, we tested to ensure coverage of at least 20% of Federally granted funds. Actual coverage is 45%. The major program tested is listed below.

CCPCS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Federal Department / Grant Program</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
Passed through from OSSE:		
Elementary & Secondary School Emergency Relief Fund - CARES Act (COVID-19)	84.425D	<u>\$ 1,726,552</u>

2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of CCPCS presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in the Single Audit.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

Financial Statements

Section I – Summary of Independent Public Accountants’ Results

Type of Report of Independent Public Accountants issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal controls over financial reporting:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None Reported

Noncompliance material to the financial statements noted?

No

Federal Awards

Type of Independent Public Accountants' Report issued on compliance for major Federal programs:

Unmodified

Internal controls over major Federal programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None Reported

Audit finding disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance

No

Identification of Major Program:

<u>Federal Department / Grant Program</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education		
Passed through from OSSE:		
Elementary & Secondary School Emergency Relief Fund - CARES Act (COVID-19)	84.425D	<u>\$ 1,726,552</u>
Threshold for distinguishing between Type A and B programs		<u>\$ 750,000</u>
Did CCPCS qualify as a low risk auditee?		Yes

Section II –Financial Statement Findings

None noted.

Section III –Federal Award Findings

None noted.

CAPITAL CITY PUBLIC CHARTER SCHOOL INC.

**Schedule of Prior Year Findings
For the Year Ended June 30, 2022**

There were no findings in the prior year.