

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1 – 3
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities, Year Ended June 30, 2023	5
Consolidated Statement of Activities, Year Ended June 30, 2022	6
Consolidated Statement of Functional Expenses, Year Ended June 30, 2023	7
Consolidated Statement of Functional Expenses, Year Ended June 30, 2022	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 25
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 – 27
SUPPLEMENTARY SCHEDULES REQUIRED BY DCPCSB	
Supplementary Schedule of Vendors Awarded Contracts Equal to or Above \$25,000, Year Ended June 30, 2023	28
Supplementary Schedule of Income Not Subject to DCPCSB Administrative Fee, Year Ended June 30, 2023	29



Independent Auditor's Report

To the Board of Directors
Inspired Teaching Demonstration Public Charter School and Subsidiary
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Inspired Teaching Demonstration Public Charter School and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Inspired Teaching Demonstration Public Charter School and Subsidiary as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Inspired Teaching Demonstration Public Charter School and Subsidiary 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Inspired Teaching Demonstration Public Charter School and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 generally accepted auditing standards 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 control. 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control 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 Inspired Teaching Demonstration Public Charter School and Subsidiary's internal control. 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Inspired Teaching Demonstration Public Charter School and Subsidiary's 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.

Other Reporting Required by *Government Auditing Standards*

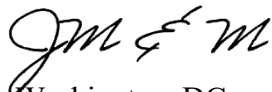
In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Inspired Teaching Demonstration Public Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inspired Teaching Demonstration Public Charter School's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note B to the consolidated financial statements, during the year ended June 30, 2023, Inspired Teaching Demonstration Public Charter School and Subsidiary adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-02, *Leases*, (Topic 842) as amended. Our opinion is not modified with respect to this matter.

Report on Supplementary Schedules Required by DCPCSB

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of vendors awarded contracts equal to or above \$25,000, and income not subject to DCPCSB administrative fee, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Washington, DC
December 11, 2023

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 9,708,027	\$ 7,999,612
Federal grants receivable	316,093	616,295
State and local grants receivable	4,272	121,205
Accounts receivable	3,368	25
Prepaid expenses	111,013	83,052
Total Current Assets	10,142,773	8,820,189
NON-CURRENT ASSETS		
Property and equipment, net	9,373,677	10,197,366
Restricted cash and cash equivalents	1,173,375	730,120
Deposits	8,190	3,460
Finance leases, right-of-use asset, net	41,583	-
Total Non-Current Assets	10,596,825	10,930,946
TOTAL ASSETS	\$ 20,739,598	\$ 19,751,135
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 554,826	\$ 280,009
Accrued expenses	458,074	407,960
Accrued interest	265,625	50,840
Bonds payable, current portion	150,000	145,000
Notes payable, current portion	577,517	-
Finance leases liability, current portion	32,690	-
Capital lease payable, current portion	-	28,541
Deferred revenue	13,124	-
Total Current Liabilities	2,051,856	912,350
NON-CURRENT LIABILITIES		
Bonds payable, net of current portion	9,749,762	9,885,695
Note payable, net of current portion	1,160,353	1,733,528
Finance leases liability, net of current portion	14,109	-
Capital lease payable, net of current portion	-	21,930
Total Non-Current Liabilities	10,924,224	11,641,153
TOTAL LIABILITIES	12,976,080	12,553,503
NET ASSETS		
Without donor restrictions	7,763,518	7,197,632
TOTAL LIABILITIES AND NET ASSETS	\$ 20,739,598	\$ 19,751,135

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

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

**REVENUE AND SUPPORT WITHOUT
DONOR RESTRICTIONS**

General education, DC funding allocation	\$ 7,198,912
Categorical enhancements, DC funding allocation	3,081,463
Facilities allowance, DC funding allocation	1,816,221
Federal entitlements and other federal funds	472,193
Federal grants - COVID-19	10,498
Donated federal commodities	9,030
Federal E-rate program	2,621
State and local government contributions and grants	15,646
Private contributions, donations, and grants	62,565
Donated goods	17,658
Student activities	76,576
Interest	205,829
Total Revenue and Support Without Donor Restrictions	<u>12,969,212</u>

EXPENSES

Program Services:	
Educational services	10,614,881
Support Services:	
Management and general	1,609,499
Fundraising	178,946
Total Support Services	<u>1,788,445</u>
Total Expenses	<u>12,403,326</u>

CHANGE IN NET ASSETS 565,886

NET ASSETS, beginning of year 7,197,632

NET ASSETS, end of year \$ 7,763,518

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

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
General education, DC funding allocation	\$ 6,536,426	\$ -	\$ 6,536,426
Categorical enhancements, DC funding allocation	2,732,676	-	2,732,676
Facilities allowance, DC funding allocation	1,721,040	-	1,721,040
Federal entitlements and other federal funds	711,717	-	711,717
Federal grants - COVID -19	276,507	-	276,507
Donated federal commodities	12,351	-	12,351
Federal E-rate program	977	-	977
State and local government contributions and grants	215,229	-	215,229
Private contributions, donations, and grants	74,094	-	74,094
Donated goods	13,672	-	13,672
Student activities	4,185	-	4,185
Other income	60,421	-	60,421
Interest	13,480	-	13,480
Gain on equity investment in LLC	98,749	-	98,749
Net assets released from restrictions	17,114	(17,114)	-
Total Revenue and Support	<u>12,488,638</u>	<u>(17,114)</u>	<u>12,471,524</u>
EXPENSES			
Program Services:			
Educational services	9,614,575	-	9,614,575
Support Services:			
Management and general	1,628,603	-	1,628,603
Fundraising	151,937	-	151,937
Total Support Services	<u>1,780,540</u>	<u>-</u>	<u>1,780,540</u>
Total Expenses	<u>11,395,115</u>	<u>-</u>	<u>11,395,115</u>
CHANGE IN NET ASSETS FROM OPERATIONS	1,093,523	(17,114)	1,076,409
LOSS FROM REDEMPTION OF CONTROLLING MEMBER IN LLC	<u>(587,852)</u>	<u>-</u>	<u>(587,852)</u>
CHANGE IN NET ASSETS	505,671	(17,114)	488,557
NET ASSETS, beginning of year	<u>6,691,961</u>	<u>17,114</u>	<u>6,709,075</u>
NET ASSETS, end of year	<u>\$ 7,197,632</u>	<u>\$ -</u>	<u>\$ 7,197,632</u>

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services		Support Services		Total
	Educational Services	Management and General	Fundraising	Total Support Services	
PERSONNEL, SALARIES AND BENEFITS					
Salaries	\$ 5,890,436	\$ 788,060	\$ 112,970	\$ 901,030	\$ 6,791,466
Employee benefits	623,328	83,393	11,955	95,348	718,676
Payroll taxes	451,632	60,422	8,662	69,084	520,716
Professional development	52,039	-	-	-	52,039
Other staff-related expenses	236,776	7,125	1,021	8,146	244,922
Total Personnel, Salaries and Benefits	7,254,211	939,000	134,608	1,073,608	8,327,819
DIRECT STUDENT COSTS					
Supplies, materials, snacks	160,869	-	-	-	160,869
Contracted instruction fees	545,369	-	-	-	545,369
Textbooks	65,997	-	-	-	65,997
Student food service program	215,553	-	-	-	215,553
Donated federal commodities	9,030	-	-	-	9,030
Transportation	73,861	-	-	-	73,861
Other student costs	22,249	-	-	-	22,249
Total Direct Student Costs	1,092,928	-	-	-	1,092,928
OCCUPANCY EXPENSES - LEASED FACILITY					
Insurance - facility	-	15,517	-	15,517	15,517
Depreciation and amortization - facility	727,506	97,330	13,952	111,282	838,788
Interest and loan amortization - facility	480,529	64,288	9,216	73,504	554,033
Utilities	79,812	4,201	-	4,201	84,013
Janitorial services	472,195	24,852	-	24,852	497,047
Repairs and maintenance	171,399	9,021	-	9,021	180,420
Total Occupancy Expenses - Leased Facility	1,931,441	215,209	23,168	238,377	2,169,818
OFFICE EXPENSES					
Office supplies	48,214	6,450	925	7,375	55,589
COVID-19 protective supplies	5,047	675	97	772	5,819
Equipment rental	37,325	4,993	715	5,708	43,033
Telecommunication	18,203	2,435	349	2,784	20,987
Computer support	58,766	7,862	1,127	8,989	67,755
Postage and shipping	997	133	19	152	1,149
Total Office Expenses	168,552	22,548	3,232	25,780	194,332
GENERAL EXPENSES					
Insurance - non-facility	-	39,886	-	39,886	39,886
Accounting fee	-	188,447	-	188,447	188,447
Administrative fees	-	121,041	-	121,041	121,041
Depreciation and amortization - non-facility	72,799	9,739	1,396	11,135	83,934
Interest - non-facility	2,766	370	53	423	3,189
Legal fees	-	24,657	-	24,657	24,657
Professional fees	78,668	10,523	1,509	12,032	90,700
Fees and licenses	13,516	38,079	-	38,079	51,595
Fundraising fees and event costs	-	-	14,980	14,980	14,980
Total General Expenses	167,749	432,742	17,938	450,680	618,429
TOTAL EXPENSES	\$ 10,614,881	\$ 1,609,499	\$ 178,946	\$ 1,788,445	\$ 12,403,326

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services		Support Services		Total
	Educational Services	Management and General	Fundraising	Total Support Services	
PERSONNEL, SALARIES AND BENEFITS					
Salaries	\$ 5,237,017	\$ 768,245	\$ 107,590	\$ 875,835	\$ 6,112,852
Employee benefits	540,179	79,242	11,098	90,340	630,519
Payroll taxes	422,287	61,948	8,676	70,624	492,911
Professional development	8,472	-	-	-	8,472
Other staff-related expenses	87,075	3,560	499	4,059	91,134
Total Personnel, Salaries and Benefits	6,295,030	912,995	127,863	1,040,858	7,335,888
DIRECT STUDENT COSTS					
Supplies, materials, snacks	128,262	-	-	-	128,262
Contracted instruction fees	690,271	-	-	-	690,271
Textbooks	41,679	-	-	-	41,679
Student food service program	214,641	-	-	-	214,641
Donated federal commodities	12,351	-	-	-	12,351
Transportation	17,564	-	-	-	17,564
Other student costs	24,255	-	-	-	24,255
Total Direct Student Costs	1,129,023	-	-	-	1,129,023
OCCUPANCY EXPENSES - LEASED FACILITY					
Rent	1,634,988	86,052	-	86,052	1,721,040
Insurance - facility	-	20,010	-	20,010	20,010
Depreciation and amortization - facility	184,899	27,124	3,799	30,923	215,822
Interest and loan amortization - facility	56,968	8,357	1,170	9,527	66,495
Utilities	4,647	245	-	245	4,892
Janitorial services	38,135	2,007	-	2,007	40,142
Repairs and maintenance	16,742	1,935	-	1,935	18,677
Total Occupancy Expenses - Leased Facility	1,936,379	145,730	4,969	150,699	2,087,078
OFFICE EXPENSES					
Office supplies	29,420	4,317	604	4,921	34,341
COVID-19 protective supplies	109,620	16,080	2,252	18,332	127,952
Equipment rental	3,092	453	63	516	3,608
Telecommunication	15,797	2,317	325	2,642	18,439
Computer support	-	38,493	-	38,493	38,493
Printing and publications	3,385	496	70	566	3,951
Postage and shipping	1,645	241	34	275	1,920
Total Office Expenses	162,959	62,397	3,348	65,745	228,704
GENERAL EXPENSES					
Insurance - non-facility	-	24,252	-	24,252	24,252
Accounting fee	-	158,516	-	158,516	158,516
Administrative fees	-	99,652	-	99,652	99,652
Depreciation and amortization - non-facility	78,265	11,481	1,608	13,089	91,354
Interest - non-facility	3,371	495	69	564	3,935
Legal fees	-	21,578	-	21,578	21,578
Professional fees	-	60,186	-	60,186	60,186
Other expenses	-	111,810	-	111,810	111,810
Fees and licenses	9,548	19,511	-	19,511	29,059
Fundraising fees and event costs	-	-	14,080	14,080	14,080
Total General Expenses	91,184	507,481	15,757	523,238	614,422
TOTAL EXPENSES	\$ 9,614,575	\$ 1,628,603	\$ 151,937	\$ 1,780,540	\$ 11,395,115

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

INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 565,886	\$ 488,557
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Loss from redemption of controlling member in LLC	-	587,852
Gain on equity investment	-	(98,749)
Depreciation and amortization - facility	838,788	215,822
Depreciation and amortization - non-facility	83,934	91,354
Amortization of financing fees - facility	18,408	6,905
Carrying amount of finance leases, right-of-use asset	(68,999)	-
Amortization of finance leases, right-of-use asset	27,416	-
Finance lease obligation	77,898	-
(Increase) decrease in assets:		
Federal grants receivable	300,202	(337,843)
State and local grants receivable	116,933	93,676
Accounts receivable	(3,343)	4,692
Prepaid expenses	(27,961)	(9,329)
Deposits	(4,730)	1,540
Increase (decrease) in liabilities:		
Accounts payable	274,817	188,936
Accrued salaries and expenses	50,114	13,828
Accrued interest	214,785	46,659
Deferred revenue	13,124	-
Net Cash Provided by (Used for) Operating Activities	2,477,272	1,293,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(149,503)	(8,938,034)
Net Cash Provided by (Used for) Investing Activities	(149,503)	(8,938,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bonds payable	-	10,286,220
Debt issuance costs	-	(258,038)
Principal payments on bonds payable	(145,000)	-
Principal payments on finance lease liability	(31,099)	-
Principal payments on capital lease obligation	-	(24,247)
Net Cash Provided by (Used for) Financing Activities	(176,099)	10,003,935
NET INCREASE IN CASH AND RESTRICTED CASH AND CASH EQUIVALENTS	2,151,670	2,359,801
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	8,729,732	6,369,931
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	\$ 10,881,402	\$ 8,729,732
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 324,029	\$ 16,866
Cash	\$ 9,708,027	\$ 7,999,612
Restricted cash and cash equivalents	1,173,375	730,120
Cash and Restricted Cash and Cash Equivalents	\$ 10,881,402	\$ 8,729,732

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

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

Inspired Teaching Demonstration Public Charter School (“ITDS”), a District of Columbia not-for-profit organization, was incorporated on January 27, 2010, exclusively for educational purposes. During June 2011, ITDS entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board (“DCPCSB”). ITDS serves students from pre-kindergarten through 8th grade.

ITDS has a professional learning community of master teachers and teacher residents who ensure that a diverse group of students achieve their potential as accomplished learners, thoughtful citizens, and imaginative and inquisitive problem solvers through a demanding, inquiry-based curriculum. The defining characteristic of ITDS is a professional learning community focused on a progressive, constructivist approach to teaching and learning based on the research on how the brain works and how children learn. ITDS is organized to meet two related, mutually reinforcing primary goals: to provide an excellent education for students, and to provide excellent teacher preparation and professional development for new teachers and teacher leaders. ITDS is a leader in improving the way teachers are trained and students are educated in the District of Columbia and beyond. ITDS invites and receives visitors from around the globe to observe its teaching skills and techniques. Annually, ITDS welcomes dozens of visitors from the District of Columbia education community, as well as those influential in education policy nationwide.

Dominant methods of instruction include inquiry-based methods and active learning approaches, where the teacher serves as facilitator and coach to support student learning. Instruction includes an emphasis on social-emotional learning. In addition, classrooms are characterized by student-centered organizational styles such as differentiated instruction, collaborative groups, and child-initiated play. The standards-based curriculum and student goals are centered on the four I’s: intellect, inquiry, imagination, and integrity.

Effective May 15, 2014, a Limited Liability Company Agreement was entered into between ITDS and Charter School Incubator Initiative (“CSII”), of which both organizations would become members of Shaed School, LLC (the “LLC”). ITDS made a capital contribution of \$375,152 to the LLC, resulting in a 38.47% ownership interest, and CSII made a \$600,000 capital contribution to the LLC, resulting in an ownership interest of 61.53%.

The LLC was established for the purpose of holding and maintaining the property located at 200 Douglas Street, NE, Washington, DC, which was subleased to ITDS on May 21, 2014. As the majority stakeholder in the LLC, CSII was the managing member, and oversaw the business operations of the LLC. Through June 2, 2022, ITDS utilized the equity method of accounting to record the fair value of its interest in the LLC on an annual basis.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE A – ORGANIZATION AND NATURE OF BUSINESS - continued

Transfer and Buyout of Shaed LLC's Shares from CSII

On May 31, 2022, ITDS and the LLC entered into an Assignment and Assumption of Ground Lease Agreement and Termination of Sublease Agreement. Based on the terms and conditions of this agreement, the sublease was terminated, and the LLC assigned all of its rights, benefits and obligations under the lease to ITDS. All of the other terms of the lease remained in effect. ITDS also acquired all of the property and equipment owned by the LLC with a net book value totaling \$8,170,944. Furthermore, ITDS obtained a loan from Wilmington Trust in the amount of \$10,450,000 to finance the building improvements and any other capital expenditures pertaining to the premises.

Shortly thereafter, on June 2, 2022, ITDS and CSII executed an Agreement for Redemption and Transfer of LLC Membership Interest, which resulted in ITDS becoming the sole member of the LLC following the transfer of CSII's membership interest. As a result, there was no financial activity for the LLC during the year ended June 30, 2023. Effective March 1, 2023, Shaed LLC was officially dissolved.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

ITDS and the LLC's (collectively, the "School") consolidated financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification ("ASC") 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The School adopted FASB ASC Topic 842, with an initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncement (continued)

The School did not restate prior comparative periods as presented under ASC Topic 842, and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of the adoption of FASB ASC Topic 842. The most significant effect of adopting FASB ASC Topic 842 was the recognition of a total of \$68,999 of finance lease Right-of-Use (“ROU”) asset and a total of \$77,898 of current and long-term finance lease liability, on the consolidated statements of financial position as of July 1, 2022.

As part of the transition, the School implemented new controls and key system functionality to enable the preparation of financial information at the time of the adoption of ASC Topic 842, and elected to apply the following practical expedients:

- a) No reassessment of whether any expired or existing contracts contain a lease.
- b) No reassessment of initial direct costs for any existing leases as of the effective date.
- c) In calculating the right-of-use asset and lease liability, the School has elected to combine lease and non-lease components.
- d) As an accounting policy, the School has elected to apply the short-term lease exception to all leases having initial terms of 12 months or less, and recognize occupancy expense on a straight-line basis over the lease term.

Principle of Consolidation

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, *Consolidation*, these consolidated financial statements include the accounts of ITDS and the LLC. All material inter-organization transactions and balances have been eliminated in consolidation, if applicable.

Consolidated Financial Statement Presentation

Consolidated financial statement presentation follows FASB ASC Topic 958, *Not-For-Profit Entities*. In accordance with Topic 958, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Consolidated Financial Statement Presentation (continued)

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained in perpetuity by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. There were no net assets with donor restrictions as of June 30, 2023 and 2022.

Cash

Cash is maintained in various interest-bearing demand deposit accounts. The School believes it is not exposed to any significant credit risk on cash.

Restricted Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of fewer than three months and money market funds to be cash equivalents. Restricted cash and cash equivalents are held by a trustee to be used to fund a portion of debt service costs related to the District of Columbia Bonds Payable. The School believes it is not exposed to any significant credit risk on restricted cash and cash equivalents. See Note F for more information on the restricted cash accounts.

Federal, State, and Local Grants Receivable and Accounts Receivable

Federal, state, and local grants receivable primarily consist of amounts due from the District of Columbia Office of the State Superintendent of Education for local, state and federal grant programs, whose ability to pay are subject to appropriations. Accounts receivable is related to program service fees and is recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Receivables are stated at the amount management expects to collect from outstanding balances. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been established. As of the beginning of the year ended June 30, 2022, federal, state, and local grants receivable totaled \$493,333; and accounts receivable totaled \$4,717.

Equity Investment

ITDS owned a 38.47% equity interest in the LLC until June 2, 2022. Interest in the LLC was recorded under the equity method of accounting until June 2, 2022.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Equity Investment (continued)

On June 2, 2022, the LLC assumed the remaining 61.53% membership equity from CSII and transferred all ownership interest to ITDS. As such, ITDS became the sole member of the LLC, resulting in the consolidation of the financial activities of both entities.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The School capitalizes all expenditures for property and equipment over \$1,000. Depreciation and amortization is computed, using the straight-line method, over the estimated useful lives of the assets, which ranges from three to seven years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gains or losses are included in operations. Repairs and maintenance are charged to expense when incurred. Leasehold improvements are amortized over the lesser of the remaining lease term or useful life of the assets.

Right-of-Use (“ROU”) Assets

ROU assets are measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after the commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, ROU assets are subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus any unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received).

Upon the adoption of ASC Topic 842, with an effective date of July 1, 2022, the School’s copier lease, which had previously been recorded as a capital lease, was determined to be a finance-type lease. The copier lease has been recorded on the consolidated statement of financial position as both an ROU asset and lease liability, calculated by discounting fixed lease payments over the lease term at a rate of five percent. 5% is considered the estimated incremental borrowing rate for the School. The ROU asset is amortized over the lease term.

Lease Liability

The School accounts for leases in accordance with FASB ASC Topic 842. The School is a lessee in two finance leases for an aggregate total of five copiers. Lease liabilities are increased by interest and reduced by payments each period. Variable lease expenses, if any, are recognized when incurred.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Lease Liability (continued)

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index or rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee.

Debt Issuance Costs

Costs incurred in the issuance of debt have been capitalized and are reported on the statements of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method.

Revenue Recognition

General Education, Categorical Enhancements, and Facilities Allowance; DC Funding Allocations, Federal Entitlements and Other Federal Funds; Federal Grants – COVID-19; State and Local Government Contributions and Grants; Federal E-Rate Program Revenue

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education (“OSSE”), the U.S. Department of Education, and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return, and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position. As of the beginning of the year ended June 30, 2022, there was no deferred revenue.

The School receives a student allocation on a per pupil basis from the District Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. As of June 30, 2023, the School had conditional promises to give (receivables) in the total amount of \$45,678, that are expected to be fulfilled by the fiscal year ending June 30, 2024.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition (continued)

Private Contributions, Donations, and Grants

The School recognizes contributions, donations and grants when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

Student Activities, Interest Income and Other Income

Student activity fees are revenue primarily derived from before and after-care programs, and various student activities (e.g., fieldtrips, intramural sports, special events, etc.), which are recognized when the services are provided.

Interest income is the amount earned by certain bank accounts during the year. Excess proceeds from bond financing and early payment credits from American Express were recorded as other income.

Donated Federal Commodities and Other Goods

The School recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The School received donated federal commodities, primarily food items, which are recognized as revenue at either the estimated fair value on the date the donated federal commodities were received, or at the value determined by the federal agency.

Donated goods primarily represent items to be sold at an auction event held by the School, and are recognized as revenue based on the estimated fair value of the items determined by either a donor statement or from publicly available sources.

Method Used for Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office expenses, occupancy expenses, and any other

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Method Used for Allocation of Expenses (continued)

applicable expenditures, which are allocated on the basis of salaries and related costs, determined by an estimated amount of time and effort expended.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates that were assumed in preparing the consolidated financial statements.

Reclassifications

For the year ended June 30, 2022, the Federal E-rate program revenue that was initially included as part of the federal entitlements and other federal funds, was broken out into a separate line item on the consolidated statements of activities. This reclassification was made in order to align more closely with the DCPCSB's 2023 audit guidelines. The reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

ITDS qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, ITDS is classified as an entity that is not a private foundation under Section 509 (a)(1). The LLC was a District of Columbia Limited Liability Company that had not elected to be taxed as a corporation for income tax reporting purposes, and therefore, was a disregarded entity for tax purposes. The LLC's revenues and expenses were reported on ITDS's information returns.

The School has adopted the accounting of uncertainty in income taxes as required by FASB ASC Topic 740, *Income Taxes*. Topic 740 requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

The School has analyzed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years ended June 30, 2020 through 2022. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments. The School’s sources of liquidity at its disposal include cash, restricted cash and cash equivalents, federal grants receivable, state and local grants receivable and accounts receivable. Restricted cash and cash equivalents are not available for operations as these are reserved for debt service obligations as required by the School’s bonds payable.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, the School considers all expenditures related to its ongoing educational services as well as services undertaken to support its program to be general operating expenditures.

As of June 30, 2023 and 2022, total financial assets held by the School and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position date to meet general operation expenditures were as follows:

	2023	2022
Cash and restricted cash and cash equivalents	\$ 10,881,402	\$ 8,729,732
Federal grants receivable	316,093	616,295
State and local grants receivable	4,272	121,205
Accounts receivable	3,368	25
Total Financial Assets	11,205,135	9,467,257
Less: restricted cash and cash equivalents	(1,173,375)	(730,120)
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	\$ 10,031,760	\$ 8,737,137

NOTE E – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	2023	2022
Leasehold improvements	\$ 15,446,193	\$ 15,397,201
Furniture and equipment	448,849	387,679
Computers	307,528	268,186
Capital leased equipment	-	165,242
Website	4,500	4,500
	16,207,070	16,222,808
Less accumulated depreciation and amortization	(6,833,393)	(6,025,442)
Total Property and Equipment, Net	\$ 9,373,677	\$ 10,197,366

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE E – PROPERTY AND EQUIPMENT - continued

For the years ended June 30, 2023 and 2022, depreciation and amortization expense totaled \$922,722 and \$307,176, respectively.

Upon the adoption of FASB ASC Topic 842 on July 1, 2022, the School reclassified the copier capital leases from property and equipment, which had not been fully depreciated, and recorded it on the consolidated statement of financial position as both a finance lease ROU asset and a lease liability. These amounts were calculated by discounting fixed lease payments over the lease term at a specified rate of interest. For the year ended June 30, 2022, the cost of capital leased equipment totaled \$165,242, and accumulated depreciation totaled \$114,771. Amortization expense attributed to capital leased assets for the year ended June 30, 2022, totaled \$30,040.

Average Usable Square Footage

The School leases the facilities in which it operates, having an average usable square footage of 67,200, for each month during the years ended June 30, 2023 and 2022.

NOTE F – DEBT

Bonds Payable – District of Columbia

In June 2022, the District of Columbia issued and sold qualified school construction revenue bonds (Inspired Teaching Demonstration Public Charter School Issue, Series 2022) (the “Bonds”), totaling \$10,450,000 to Wilmington Trust (the “Bank”) for the benefit of making a loan to the School to be used to finance the building improvements and related capital expenditures at 200 Douglas St NE, Washington, DC 20002. The Bonds bear interest at a nominal rate of 5% per annum, and are secured by a Leasehold Deed of Trust, Assignment and Security Agreement dated June 1, 2022.

The Bonds require interest to be paid on each January 1 and July 1 over the term of the Bonds, beginning on January 1, 2023. Beginning on July 1, 2023, and continuing for each July 1 over the term of the Bonds, the School is required to make deposits into a sinking fund, which are to be used for redemption of principal.

Interest expense on the Bonds for the years ended June 30, 2023 and 2022, totaled \$564,590 and \$42,090, respectively. Accrued interest on the Bonds as of June 30, 2023 and 2022, totaled \$260,069 and \$42,090, respectively.

The Bonds have various covenants. The School must maintain a minimum debt service coverage ratio of 1.10 to 1 on an annual basis to be in good standing with the jurisdiction in which it is domiciled. As of June 30, 2023, the School had met the minimum debt service coverage ratio.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE F – DEBT - continued

Bonds Payable – District of Columbia (continued)

The School is also required to maintain certain accounts as required by the trust indenture for the Bonds, including a debt service reserve fund to fund any deficient payments of principal or interest. The debt service reserve fund and all other required accounts are held in trust by the Bank. The balance of the debt service reserve fund as of June 30, 2023 and 2022, totaled \$678,266 and \$665,950, respectively. The balance of all other accounts held in trust by the Bank as of June 30, 2023 and 2022, totaled \$495,109 and \$64,170, respectively. These amounts are recorded as restricted cash on the accompanying consolidated statements of financial position.

Note Payable – OSSE

The School entered into a loan agreement on April 6, 2021, with the District of Columbia Office of the State Superintendent of Education (“OSSE”). The loan was for an amount of \$1,750,000, and was used to fund renovations of the School. The loan bears interest at 1% per annum, and is collateralized by the cash balances of the School. Payments of interest only are due in quarterly installments until July 1, 2023, and afterwards, payments of principal and interest are due in quarterly installments until maturity on April 6, 2026. As of June 30, 2023 and 2022, the outstanding principal balance due on the loan totaled \$1,750,000 and \$1,750,000, respectively.

Interest expense on the OSSE loan for the years ended June 30, 2023 and 2022, totaled \$13,125 and \$17,500, respectively. Accrued interest on the OSSE loan as of June 30, 2023 and 2022, totaled \$5,556 and \$8,750, respectively.

Future estimated payments on the Bonds and the OSSE loan are as follows for the years ending June 30:

	<u>Bonds Payable</u>	<u>OSSE Loan</u>	<u>Total</u>
2024	\$ 150,000	\$ 577,517	\$ 727,517
2025	160,000	583,314	743,314
2026	170,000	589,169	759,169
2027	175,000	-	175,000
2028	185,000	-	185,000
Thereafter	9,465,000	-	9,465,000
	<u>\$ 10,305,000</u>	<u>\$ 1,750,000</u>	<u>\$ 12,055,000</u>

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE F – DEBT - continued

Long-term debt consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
OSSE Note payable, due April 2026	\$ 1,750,000	\$ 1,750,000
Bonds payable, due July 2052	10,305,000	10,450,000
Total Debt	<u>12,055,000</u>	<u>12,200,000</u>
Less: debt issuance costs, net of accumulated amortization	<u>(417,368)</u>	<u>(435,777)</u>
Total debt, net of debt issuance costs	11,637,632	11,764,223
Less: current portion	<u>(727,517)</u>	<u>(145,000)</u>
Non-current portion of debt	<u>\$ 10,910,115</u>	<u>\$ 11,619,223</u>

Debt issuance costs and accumulated amortization are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Debt issuance costs	\$ 442,436	\$ 442,436
Less: accumulated amortization	<u>(25,068)</u>	<u>(6,659)</u>
Debt Issuance Costs, Net	<u>\$ 417,368</u>	<u>\$ 435,777</u>

The School reports debt issuance costs as a direct deduction from the carrying amount of the related debt and amortization of debt issuance costs as interest expense. The total amortization expense for debt issuance costs for the years ended June 30, 2023 and 2022, was \$18,408 and \$6,905, respectively, and is included in interest expense on the statements of functional expenses.

NOTE G – OPERATING LEASES

On May 21, 2014, ITDS entered into a Sublease Agreement (the “Sublease”) with the LLC to occupy a portion of the property in accordance with a separate Ground Lease Agreement between the District of Columbia and the LLC dated May 21, 2014 (the “Prime Lease”). Therefore, in accordance with the Sublease, the LLC agreed to sublet to ITDS approximately 67,200 square feet of space located at 200 Douglas Street NE, Washington, DC 20002. The original term of the Sublease was five years, and ITDS had the right to extend the Sublease for up to three additional terms of five years each if it met certain obligations under the Sublease.

The Sublease was subject and subordinate to the terms of the Prime Lease. In accordance with the original Sublease, ITDS agreed to pay the LLC annual rent, in an amount equal to the number of students enrolled multiplied by the per pupil facilities allowance received by ITDS from the District of Columbia for each such pupil. The rent was payable in advance in equal quarterly installments on August 1, November 1, February 1, and May 1.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE G – OPERATING LEASES - continued

On June 4, 2019, the Sublease was amended. Under the term of this amendment, the original Sublease term was extended to be co-terminus with the Prime Lease, which is scheduled to expire on May 21, 2034. In addition, ITDS agreed to pay the LLC for any debt service and incremental operating expenses incurred by the LLC that were related to a renovation project on ITDS' premises. Furthermore, the LLC acknowledged that any increase in enrollment at ITDS above its initial student count was not considered when calculating the amount of rent owed under the Sublease.

In accordance with the above terms of the lease agreement, in lieu of an annual base rent, ITDS is required to pay a calculated usage fee. The total annual usage fee is based on the number of students enrolled as of each census date (every October) or the target minimum enrollment, whichever is greater, multiplied by the per pupil facilities allowance received by ITDS from the District of Columbia. Accordingly, ITDS cannot reasonably estimate its future minimum lease liability under the terms of the lease agreement with respect to this usage fee.

The Prime Lease was amended on April 8, 2022, to extend the initial expiration date to May 21, 2046, with an option to extend the lease for an additional 25 years.

On May 31, 2022, ITDS and the LLC entered into an Assignment and Assumption of Ground Lease Agreement and Termination of Sublease Agreement. Under this agreement, the Sublease was terminated, and the LLC assigned all of its rights, benefits and obligations under the Prime Lease to ITDS, with no changes to the terms of the Prime Lease.

Rent expense for this facility for the years ended June 30, 2023 and 2022, totaled \$0 and \$1,721,040, respectively.

NOTE H – FINANCE LEASES COMMITMENTS

As disclosed in Note B, the School adopted FASB ASC Topic 842. The School has two finance leases for an aggregate total of five copiers. For the year ended June 30, 2023, the finance leases were included in non-current assets, and current and long-term liabilities on the consolidated statements of financial position. The School's first copier lease, which consists of one copier, commenced in September 2017 and expires in November 2024. The School's second copier lease, which consists of four copiers, commenced in April 2019 and expires in June 2024.

The discount rate of 5% was obtained by adding the Secured Overnight Financing Rate ("SOFR") of 3% (based on the end of the first quarter of the school year 2022-2023) to the bank margin rate of 1.5%, and adjusting the total by .50%. Five percent is considered the incremental borrowing rate for the School.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE H – FINANCE LEASES COMMITMENTS - continued

The balance of the ROU finance asset for the two copier leases is as follows:

	<u>6/30/2023</u>	<u>7/1/2022</u>
Finance lease, right-of-use asset	\$ 68,999	\$ 68,999
Amortization of finance lease, right-of-use asset	<u>(27,416)</u>	<u>-</u>
Total Finance Lease, Right-of-Use Asset, Net	<u>\$ 41,583</u>	<u>\$ 68,999</u>

The total minimum future lease payments under the two copier leases are as follows:

2024	\$ 34,287
2025	<u>14,286</u>
Total lease payments	48,573
Less: interest	<u>(1,774)</u>
Present Value of Finance Lease Liability	<u>\$ 46,799</u>

For the year ended June 30, 2023, amortization and interest expense on the finance leases totaled \$27,416 and \$3,189, respectively.

Average finance lease term and discount rate as of June 30, 2023, was as follows:

Weighted average remaining lease term (years):	1.42
Weighted average discount rate:	5.00%

NOTE I – DONATED FEDERAL COMMODITIES AND OTHER GOODS

The School received donated federal commodities, mainly food items, from the U.S. Department of Agriculture's Department of Defense Food and Nutrition Service Program. For the years ended June 30, 2023 and 2022, donated federal commodities totaled \$9,030 and \$12,351, respectively. The donated federal commodities were recorded on the consolidated statements of activities and functional expenses based on either the estimated fair market value on the date the donated federal commodities were received, or at the value determined by the federal agency. The donated federal commodities were utilized for and allocated to educational services on the consolidated statements of functional expenses.

The School received donated items for their online auction event in the amount of \$17,658 and \$13,672, for the years ended June 30, 2023 and 2022, respectively. Donated goods are valued based on the estimated fair value of the items determined by either a donor statement or from publicly available sources. The donated goods were not restricted by the donors.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE J – CHARTER SCHOOL AGREEMENT

On June 27, 2011, the School entered into a Charter School Agreement with the DCPCSB, which expires on June 27, 2026. As part of this agreement, the DCPCSB may charge the School a fee of up to the maximum amount permitted by the Congressionally-enacted District of Columbia School Reform Act of 1995, as amended, to cover the administrative responsibilities of the DCPCSB. For the years ended June 30, 2023 and 2022, the School was charged \$121,041 and \$99,652, in administrative fees, respectively.

NOTE K – RETIREMENT PLAN

The School established the Inspired Teaching School 403(b) Retirement Plan (the "Plan") in September 2013. All employees are eligible to participate in the Plan on the first day of the month following his or her date of employment. However, Plan participants are eligible for employer contributions after reaching the age of 21 and the completion of one year of employment. Employees may make elective deferral contributions from their eligible earnings up to the maximum amount allowed by the Internal Revenue Service. Matching contributions made by the School are discretionary. For the years ended June 30, 2023 and 2022, retirement benefits expense totaled \$79,922 and \$87,874, respectively.

NOTE L – COMMITMENTS AND CONTINGENCIES

The School participates in federal grant reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as June 30, 2023 and 2022, respectively, may be impaired. In the opinion of the School, there were no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying consolidated financial statements for such contingencies.

NOTE M – CONCENTRATIONS OF RISK

The School is dependent on funding from the District of Columbia as authorized by the District of Columbia Public Charter School Board. For each of the years ended June 30, 2023 and 2022, approximately 93% and 91%, respectively, of total revenue was provided from the District of Columbia. Reduction of this source of support would have a significant impact on the School's programs and activities.

**INSPIRED TEACHING DEMONSTRATION
PUBLIC CHARTER SCHOOL AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
(continued)**

NOTE M – CONCENTRATIONS OF RISK - continued

The School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must adhere to the terms of its Charter Agreement. Uniform Per-Student Funding received from the District of Columbia is based upon actual student enrollment determined by an annual enrollment audit. As a result, actual revenue may vary materially from budgeted revenue if under-enrollment were to occur.

The School maintains its cash and restricted cash and cash equivalents in several financial institutions. The cash and restricted cash and cash equivalents balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. The School’s cash and restricted cash and cash equivalents routinely exceeds the FDIC limit. However, management does not believe the School is exposed to any significant credit risk on its cash and restricted cash and cash equivalents.

NOTE N – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the School’s management has evaluated events and transactions for potential recognition or disclosure through December 11, 2023, the date the consolidated financial statements were available to be issued. There were no events or transactions that were discovered during the evaluation that required recognition or further disclosure.



CERTIFIED PUBLIC ACCOUNTANTS

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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 Directors
Inspired Teaching Demonstration Public Charter School
Washington, DC

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 Inspired Teaching Demonstration Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inspired Teaching Demonstration Public Charter School's internal control over financial reporting (internal control) as a basis for designing 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 Inspired Teaching Demonstration Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Inspired Teaching Demonstration Public Charter School'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



Washington, DC
December 11, 2023

SUPPLEMENTARY SCHEDULES REQUIRED BY DCPCSB

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
SUPPLEMENTARY SCHEDULE OF VENDORS AWARDED CONTRACTS EQUAL TO OR ABOVE \$25,000
UNAUDITED
YEAR ENDED JUNE 30, 2023**

Award Date	Vendor Name	Goods and/or Services	Minimum Contract Amount	Maximum Contract Amount	Interest ("Yes" or "No")
6/21/2023	Hertz Furniture	School furniture (cafeteria tables, lockers)	\$ 35,000	\$ 55,000	No
6/16/2023	Heinemann	Math curriculum, materials & professional development	25,000	30,000	No
6/16/2023	EmpowerK12	Data dashboard	25,200	30,000	No
6/16/2023	Urban Teachers	Teaching residents	200,000	205,000	No
6/16/2023	EdOps	Data and compliance management services	25,000	60,000	No
6/13/2023	EdOps	Financial services	113,000	115,000	No
6/9/2023	EdOps	Financial services	105,000	110,000	No
5/10/2023	Transportation Provided by Unimpeachable LLC	Field trip busing	25,000	35,000	No
5/8/2023	Luncheras Di Si, LLC	Meal service	200,000	250,000	No
4/11/2023	Xerox/Capitol Office Solutions	Student chromebooks and licenses	35,000	45,000	No
3/31/2023	Busy Bee Janitorial & Environmental Services, Inc.	Facility management	353,087	600,000	No
3/16/2023	Pepco	Electricity	35,000	70,000	No
1/3/2023	CTSI	Ongoing repair/maintenance; internal camera	30,000	35,000	No
8/17/2022	Charter School Incubator Initiative/Building Pathways	Facility management	25,000	35,000	No
8/17/2022	Jones Lang LaSalle (JLL)	Facility management and maintenance	90,000	200,000	No
8/9/2022	Carefirst Blue Cross	Health care insurance	685,000	695,000	No
7/27/2022	End-to-End Solutions	Special education services	50,000	55,000	No
7/22/2022	Acumen Behavioral Consulting	Special education evaluations and related services	35,000	40,000	No
7/22/2022	Urban Teachers	Teaching residents	105,000	105,000	No
7/20/2022	The Hanover Insurance Group, Inc.	Business insurance	50,000	60,000	No
7/20/2022	Therapy Source, Inc.	Special education services	25,000	30,000	No
7/20/2022	Paradigm Therapy Partners LLC	Special education services	180,000	200,000	No
7/20/2022	Educational Solutions, LLC	Tutoring, ESL, and/or reading support	35,000	40,000	No
7/20/2022	Early Autism Solutions	Special education services	65,000	70,000	No

NOTE: The above schedule includes all contracts that are greater than or equal to \$25,000 awarded to a single vendor during the year ended June 30, 2023, regardless of the service period.

**INSPIRED TEACHING DEMONSTRATION PUBLIC CHARTER SCHOOL
 SUPPLEMENTARY SCHEDULE OF INCOME
 NOT SUBJECT TO DCPCSB ADMINISTRATIVE FEE
 UNAUDITED
 YEAR ENDED JUNE 30, 2023**

Total Revenue and Support	\$	12,969,212
Income not Subject to DCPCSB Administrative Fee:		
Income from philanthropy		81,666
Elementary and Secondary School Emergency Relief Equivalent Funding		174,905
P-EBT		628
Interest income		205,829
Total Income not Subject to DCPCSB Administrative Fee	\$	<u>463,028</u>