

# Presentation to Those Charged with Governance

## June 30, 2023 Audit Results

Girls Global Academy

November 20, 2023



# Introductions

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## ❖ SB & Company, LLC Leadership Team

- Tiana Wynn, Engagement Partner
- Monique Booker, Advisory & Concurring Partner
- Jamarr Bailey, Engagement Senior

# Agenda

- Executive Summary
  - Scope of Services
  - Results
- Audit Approach
  - Assessment of Control Environment
  - Evaluation of Key Processes
  - Summary of Recommendations
- Audit Results
  - Financial Statement Highlights
- Auditing and Accounting Standards
- Required Communications
- Your Expectations of Us

# Executive Summary

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## I. Scope of Services

- Audit of June 30, 2023 financial statements
- Preparation of the Federal Form 990
- Schedule of vendors contracted in excess of \$25,000 (unaudited)
- Schedule of facility usage (unaudited)
- Schedule of income not subjected for the DC PCSB administrative fees (unaudited)
- Recommendations and observations noted during the audit process
- Available for year-round consultation

## II. Results

- Planning to issue an unmodified opinion on financial statements
- Planning to issue an unmodified opinion on compliance over financial reporting
- No material weaknesses in internal controls were identified during the audit
- Received full cooperation from management

# Executive Summary (continued)

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## III. Areas of Audit Emphasis

- Revenue recognition, including donor restrictions
- Grant compliance
- Collectability of receivables
- Completeness of liabilities
- Cash reconciliations
- Capital expenditures
- Lease accounting
- Allocation of expenses

## IV. Open Items

- Form 900 questionnaire
- Lease Accounting

# SBC Audit Approach

## FORCAM Audit Approach

*Focus on Risk, Controls, and Account Misstatement*

Agree on Expectations and Deliverables

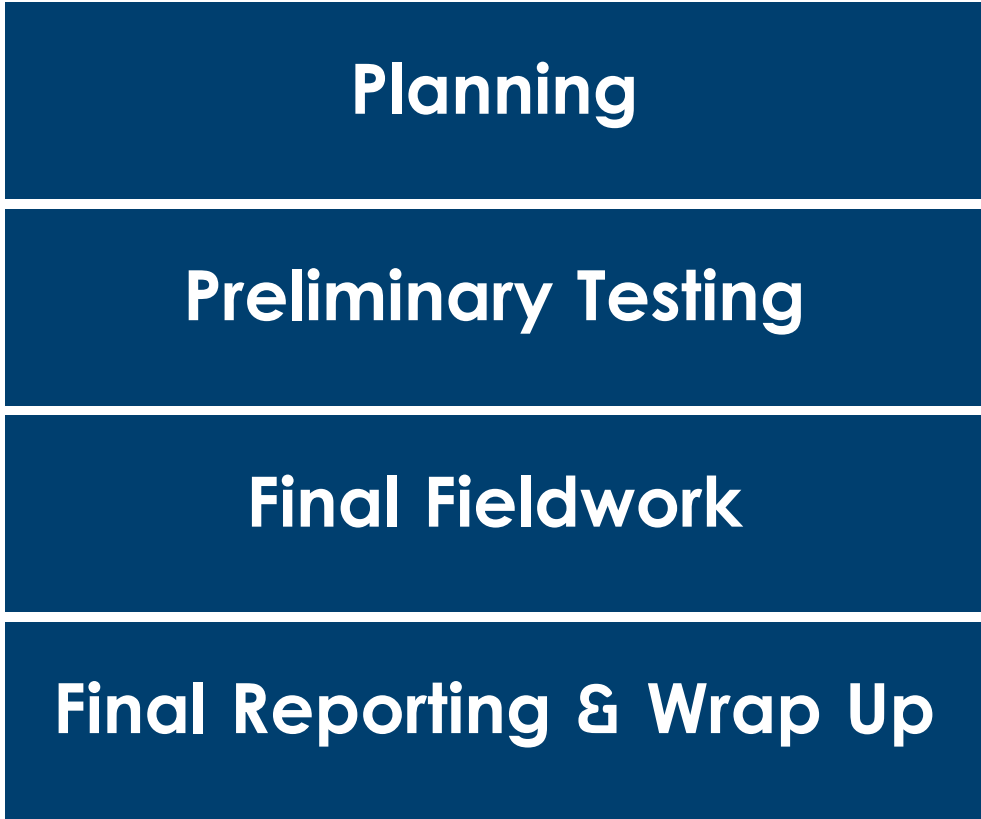


- Goals:**
- Detect Financial Statement Misstatement Risk
  - Detect Error
    - Accounting Principle
    - Estimate
    - Information Processing
    - Account Balances
  - Fraud
  - Business Failure
  - Business Improvement Opportunities
  - Client Expectations

Communicate Value Delivered and Measure Satisfaction



## Timing



# Assessment of Control Environment

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- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

# Assessment of Control Environment

Control Environment	Risk Assessment	Control Activities	Information and Communication	Monitoring Activities
<ul style="list-style-type: none"> <li>• Key executive integrity, ethics, and behavior</li> <li>• Control consciousness and operating style</li> <li>• Commitment to competence</li> <li>• Board's participation in governance and oversight</li> <li>• Organizational structure, responsibility, and authority</li> <li>• HR policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Define objectives and risk tolerances</li> <li>• Identify, analyze, and respond to risk</li> <li>• Assess fraud risk</li> <li>• Identify, analyze, and respond to change</li> <li>• Mechanisms to anticipate, identify, and react to significant events</li> <li>• Processes and procedures to identify changes in GAAP, business practices, and internal control</li> </ul>	<ul style="list-style-type: none"> <li>• Existence of necessary policies and procedures</li> <li>• Clear financial objectives with active monitoring</li> <li>• Logical segregation</li> <li>• Adequate safeguards of documents, records, and assets</li> <li>• Assess controls in place</li> </ul>	<ul style="list-style-type: none"> <li>• Use quality information</li> <li>• Communicate internally</li> <li>• Communicate externally</li> <li>• Adequate performance reports produced from information systems.</li> <li>• Information systems are connected with business strategy</li> <li>• Commitment of HR and finance to develop, test, and monitor IT systems and programs</li> <li>• Business continuity and disaster plan for IT</li> <li>• Established communication channels for employees to fulfill responsibilities</li> <li>• Adequate communication across organization</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic evaluations of internal controls (annual audit)</li> <li>• Perform monitoring activities</li> <li>• Remediate deficiencies</li> <li>• Internal compliance review function</li> </ul>
Effective	Effective	Effective	Effective	Effective



# Evaluation of Key Processes

Treasury	Estimation	Financial Reporting	Expenditures	Payroll
<ul style="list-style-type: none"> <li>• Cash Management</li> <li>• Cash Reconciliations</li> </ul>	<ul style="list-style-type: none"> <li>• Methodology</li> <li>• Calculation</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting Principles and Disclosure</li> <li>• Closing the Books</li> <li>• Report Preparation</li> <li>• General Ledger and Journal Entry Processing</li> <li>• Verification and Review of Results</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing</li> <li>• GL Coding</li> <li>• Accounts Payable and Cash Disbursements</li> </ul>	<ul style="list-style-type: none"> <li>• Attendance Reporting</li> <li>• Payroll Accounting and Processing</li> <li>• Payroll Disbursements</li> </ul>
Effective	Effective	Effective	Effective	Effective

# Evaluation of Key Processes (continued)

Revenue	Fixed Assets	Compliance	Information Technology
<ul style="list-style-type: none"><li>• Billing</li><li>• Cash Receipts</li><li>• Revenue Recognition</li><li>• Cutoff</li></ul>	<ul style="list-style-type: none"><li>• Physical Custody</li><li>• Asset Accounting</li><li>• Depreciation</li></ul>	<ul style="list-style-type: none"><li>• Assess Internal and External Risk</li><li>• Regulatory Compliance</li><li>• Grant Compliance</li><li>• Monitor Compliance</li></ul>	<ul style="list-style-type: none"><li>• Computer Operations</li><li>• Segregation of Duties and Management Oversight</li><li>• Information Security and Transaction Authorization</li><li>• Program Integrity and Change Management</li></ul>
Effective	Effective	Effective	Effective

# Summary of Prior Year Recommendations

Area of Concern	Observation	Recommendation	2023 Update
<b>Cash</b>	During our audit we noted the bank reconciliation are completed by EdOps but there were no proof of management review and approval.	SBC recommends that management design and implement a policy to properly document the management's review and approval of the monthly bank reconciliations.	Based on this year's test of controls related to bank reconciliations, SBC sufficiently received evidence of management review and approval.

# Audit Results

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# Financial Statement Highlights

## Statement of Financial Position as of June 30,

	2023	2022	2021
<b>ASSETS</b>			
Cash	\$ 1,020,469	\$ 2,856,445	\$ 322,305
Accounts receivable	231,906	196,030	152,214
Prepaid expenses and other current assets	24,041	33,918	37,362
<b>Total Current Assets</b>	<b>1,276,416</b>	<b>3,086,393</b>	<b>511,881</b>
Property and equipment, net	2,347,623	519,005	273,099
Right of use of assets – operating	8,886,837	–	–
<b>Total Assets</b>	<b>\$ 12,510,876</b>	<b>\$ 3,605,398</b>	<b>\$ 784,980</b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable and accrued expenses	\$ 131,167	\$ 62,575	\$ 53,597
Accrued salaries and related compensation	92,533	98,796	61,888
<b>Loan payable</b>	<b>223,700</b>	<b>161,371</b>	<b>115,485</b>
Lease liabilities	9,204,782	–	–
Note payable, net of current portion	1,947,635	1,961,175	–
<b>Total Liabilities</b>	<b>11,376,117</b>	<b>2,122,546</b>	<b>115,485</b>
Net Assets	947,578	1,316,649	508,647
Net assets without donor restrictions	187,181	166,203	160,848
<b>Net assets with donor restrictions</b>	<b>1,134,759</b>	<b>1,482,852</b>	<b>669,495</b>
<b>Total Net Assets</b>	<b>\$ 12,510,876</b>	<b>\$ 3,605,398</b>	<b>\$ 784,980</b>

# Financial Statement Highlights

## Statement of Activities for the year ended June 30,

	2023	2022	2021
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<b>Revenue and Support:</b>			
Per pupil allocation-general education	\$ 2,499,592	\$ 2,218,142	\$ 925,481
Per pupil allocation-categorical enhancements	1,442,129	1,346,852	501,806
Per pupil allocation-facilities allowance	572,619	528,240	221,520
Federal entitlements	234,658	189,680	665,409
Federal grants	338,256	841,612	109,821
Other Federal grants - Emergency Connectivity Fund	37,811	25,898	-
Local government grants	49,822	57,665	3,477
Foundation grants	267,002	160,100	226,000
Contributions and other revenue	139,341	64,994	85,465
Contributed non-financial assets	2,761	12,366	184,943
<b>Total</b>	<b>5,583,991</b>	<b>5,445,549</b>	<b>2,923,922</b>
Released from restriction	43,422	5,350	3,000
<b>Total Revenue and Support</b>	<b>5,627,413</b>	<b>5,450,899</b>	<b>2,926,922</b>
<b>Expenses</b>			
Program services	5,562,439	4,320,267	2,371,305
General and administrative	388,219	290,853	283,914
Fundraising	45,826	31,777	29,969
<b>Total Expenses</b>	<b>5,996,484</b>	<b>4,642,897</b>	<b>2,685,188</b>
Change in net assets without donor restrictions	<b>(369,071)</b>	<b>808,002</b>	<b>241,734</b>
<b>Other Grant Revenue</b>			
Paycheck protection program funding	-	-	1,954
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(369,071)</b>	<b>808,002</b>	<b>243,688</b>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>			
Grants and contributions	64,400	10,705	10,848
Satisfaction of restrictions	(43,422)	(5,350)	(3,000)
Change in net assets with donor restrictions	<b>20,978</b>	<b>5,355</b>	<b>7,848</b>
Changes in net assets	<b>(348,093)</b>	<b>813,357</b>	<b>251,536</b>
Net assets, beginning of year	<b>1,482,852</b>	<b>669,495</b>	<b>417,959</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,134,759</b>	<b>\$ 1,482,852</b>	<b>\$ 669,495</b>

# Financial Statement Analysis

## Revenue and Expense as a Percent of the Total

### For The Years Ended June 30,

	2023		2022		2021	
<b>Revenue and Support:</b>						
Per pupil allocation-general education	\$ 2,499,592	44%	\$ 2,218,142	41%	\$ 925,481	32%
Per pupil allocation-categorical enhancements	1,442,129	26%	1,346,852	25%	501,806	17%
Per pupil allocation-facilities allowance	572,619	10%	528,240	10%	221,520	8%
Federal entitlements	234,658	4%	189,680	3%	665,409	23%
Federal grants	338,256	6%	841,612	15%	109,821	4%
Other Federal grants – Emergency Connectivity Fund	37,811	1%	25,898	0%	–	0%
Local government grants	49,822	1%	57,665	1%	3,477	0%
Foundation grants	267,002	5%	160,100	3%	226,000	8%
Contributions and other revenue	139,341	2%	64,994	1%	85,465	3%
Contributed non-financial assets	2,761	0%	12,366	0%	184,943	6%
Released from restriction	43,422	1%	5,350	0%	3,000	0%
<b>Total Revenue and Support</b>	<b>\$ 5,627,413</b>		<b>\$ 5,450,899</b>		<b>\$ 2,923,922</b>	
<b>Expenses</b>						
Salaries, taxes, and benefits	\$ 3,133,807	52%	\$ 2,764,266	60%	\$ 1,434,801	53%
Direct students costs	479,739	8%	488,947	11%	387,627	14%
Occupancy	1,397,888	23%	721,814	16%	268,644	10%
Office	222,791	4%	198,400	4%	320,707	12%
General expenses	762,259	13%	469,470	10%	273,409	10%
<b>Total Expenses</b>	<b>\$ 5,996,484</b>		<b>\$ 4,642,897</b>		<b>\$ 2,685,188</b>	

# Financial Statement Analysis

## Liquidity Ratios As of June 30,

	2023	2022	2021
<b>Total revenue</b>	\$ 5,627,413	\$ 5,450,899	\$ 2,923,922
<b>Total revenue per pupil</b>	33,697	35,167	45,180
<b>Per pupil allocations</b>	\$ 4,514,340	\$ 4,093,234	\$ 1,648,807
<b>Total per pupil revenue</b>	27,032	26,408	\$ 25,366
<b>Grants and contributions</b>	\$ 610,725	\$ 1,057,190	\$ 1,102,974
<b>Revenue per pupil</b>	3,657	6,821	16,969
<b>Other activity</b>	\$ 2,761	\$ 12,366	\$ 184,943
<b>Revenue per pupil</b>	17	80	2,845
<b>Total program expenses</b>	\$ 5,335,442	\$ 4,251,639	\$ 2,332,699
<b>Program expenses per pupil</b>	31,949	27,430	36,482
<b>Cash amount</b>	\$ 1,020,469	\$ 2,856,445	\$ 322,305
<b>Total expenses*</b>	5,996,484	4,642,897	2,685,188
<b>Days of cash on hand</b>	62	225	44
<b>Enrollment</b>	167	155	65

\* Depreciation Excluded



# Adopted Accounting Standards

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## Accounting Standards Update No. 2016-02, *Leases*

- This standard will require recording of changes to the statement of financial position to reflect balances for current leases that are not shown in the statement of financial position
- Singular reporting model for leases
- Effective for annual reporting period 2023
- Impact
  - As of June 30, 2023, the School recorded an unamortized right-of-use asset in the amount of \$8,886,837.
  - There was also a lease liability recorded in the amount of \$9,204,782.

# Required Communications

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# Required Communications

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## 1. Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)

The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

## 2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

*The significant accounting policies used by management are described in the notes to the financial statements.*

## 3. Auditor's Judgments About the Quality of Accounting Principles

We discuss our judgments about the quality, not just the acceptability, of accounting principles selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures.

*We have reviewed the significant accounting policies adopted by the School, and have determined that these policies are acceptable accounting policies.*

# Required Communications (continued)

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## 4. Audit Adjustments

We are required to inform the School's oversight body about adjustments arising from the audit (whether recorded or not) that could, in our judgment, either individually or in the aggregate, have a significant effect on the School's financial reporting process.

We are also required to inform the School's oversight body about unadjusted audit differences that were determined by management to be individually and in the aggregate, immaterial.

*There were no passed adjustments identified during the audit process.*

## 5. Fraud and Illegal Acts

We are required to report to the School's oversight body any fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.

*During our discussions with management, we were not aware of suspected or alleged fraud that occurred.*

## 6. Material Weaknesses in Internal Control

We are required to communicate all significant deficiencies in the School's systems of internal controls, whether or not they are also material weaknesses.

*There were no material weaknesses noted during the audit.*

## 7. Disagreements with Management on Financial Accounting and Reporting Matters

None were identified.

# Required Communications (continued)

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## 8. **Serious Difficulties Encountered in Performing the Audit**

None were identified.

## 9. **Major Issues Discussed with Management Prior to Continuance**

None were identified.

## 10. **Consultation with Other Accountants**

To our knowledge, there were no consultations with other accountants since our appointment as the School's independent public accountants.

## 11. **Independence**

As part of our client acceptance process, we go through a process to ensure we are independent of the School. We are independent of the School.

## 12. **Non-attest Services**

We perform non-attest services for the School. They include filing of the Form 990 and financial statement compilation assistance.

*Management has designated an individual who possess suitable skill, knowledge, and/or experience to oversee this service, and have taken responsibility for the service performed. We are independent of the School.*

## 13. **Subsequent Events**

We were not made aware of any material subsequent events that have occurred that would have affected the information presented in the accompanying financial statements or require additional disclosure.

# Required Communications (continued)

## Our Responsibility Related to Fraud

- Plan and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
- Comply with GAAS AU-C 240 *“Consideration of Fraud in a Financial Statement Audit”*;
- Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
- Perform mandatory procedures required by GAAS and our firm policies.

## Examples of Procedures Performed

- Discuss thoughts and ideas in areas where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the organization;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.



# Responsibility for Mitigating Fraud

## External Auditor:

- ⦿ Evaluate management programs and controls to deter and detect fraud for identified risks
- ⦿ Reasonable assurance that financial statements are free of material misstatement due to fraudulent financial reporting or misappropriation of assets
- ⦿ Compliance with fraud standard (SAS 99)
  - Conversations with finance and operations personnel
  - Disaggregated analytics
  - Surprise audit procedures
  - Journal entry testing



## Management:

- ⦿ CFO/Controller: controls to deter and detect fraud
- ⦿ General Counsel/Compliance: monitoring

## Audit Committee:

- ⦿ Evaluate management identification of fraud risk
- ⦿ Evaluate implementation of fraud controls
- ⦿ Reinforce “tone at the top”
- ⦿ Conduct special investigations

# SBC's Service Pledge to You

We will consistently deliver a **Quality Product** and **Quality Service** so that we have the opportunity to establish a **Quality Relationship** with you, allowing us to provide you with **Quality Knowledge** for your continual success. Only after we have provided you with the knowledge that enables your business to grow and prosper, we have *hit the bullseye!*

Our commitment to you is the execution of our **Bullseye Philosophy**. We execute this philosophy for every client, on every engagement, every time





# Questions & Answers

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# Engagement Team

## *Contact Information*



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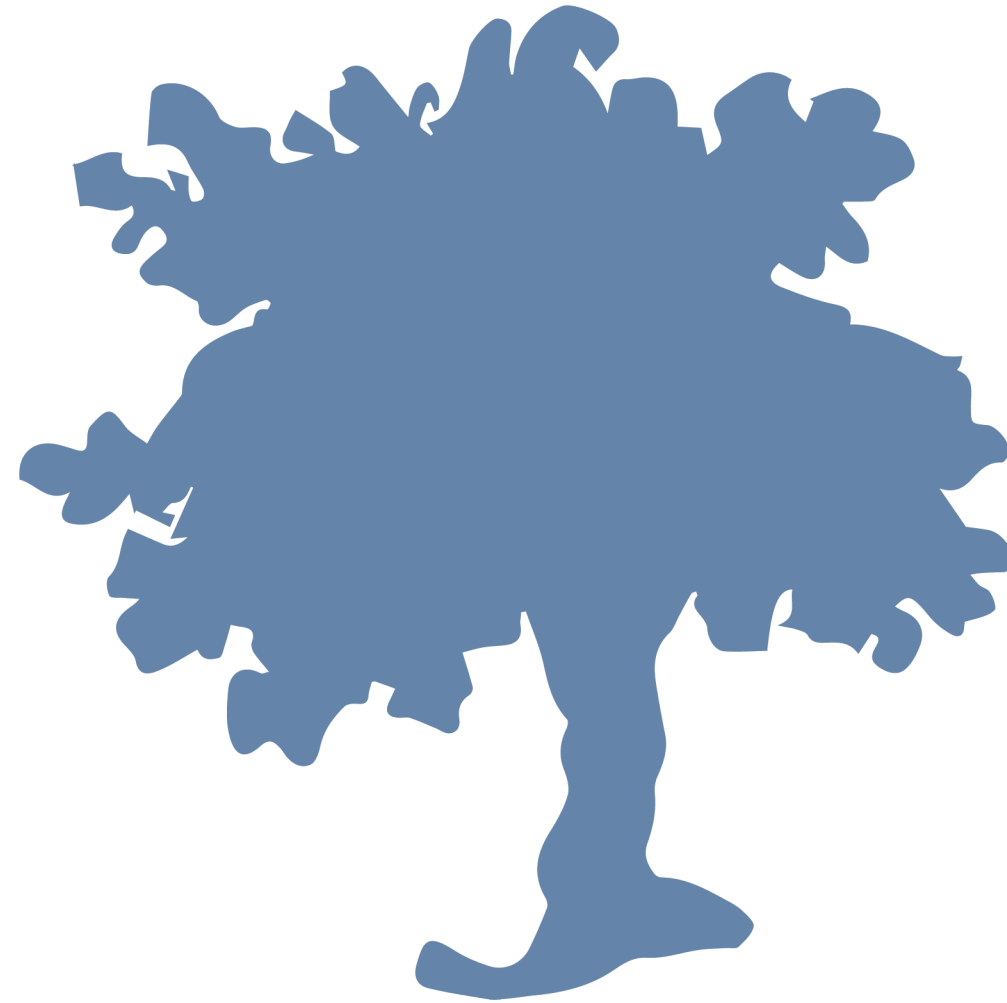


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