

**NATIONAL ALLIANCE FOR  
PUBLIC CHARTER SCHOOLS**

FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND GRANT COMPLIANCE

*As of and for the Year Ended December 31, 2020  
(with Comparative Totals for 2019)*

*And Report of Independent Auditor*

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

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## **Report of Independent Auditor**

To the Board of Directors  
National Alliance for Public Charter Schools  
Washington, D.C.

We have audited the accompanying financial statements of National Alliance for Public Charter Schools (the "National Alliance") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Alliance as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report of Summarized Comparative Information**

We have previously audited National Alliance's 2019 financial statements and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited statements from which it has been derived.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2021 on our consideration of National Alliance'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 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 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 National Alliance's internal control over financial reporting and compliance.



Tysons Corner, Virginia  
June 21, 2021

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 6,996,133	\$ 4,305,759
Investments	4,046,093	3,662,271
Accounts receivable, net	89,004	7,865
Grants receivable, net	844,176	2,965,636
Prepaid expenses and other current assets	465,642	481,360
<b>Total Current Assets</b>	<u>12,441,048</u>	<u>11,422,891</u>
Other Assets:		
Grants receivable, net of current portion	-	500,000
Property and equipment, net	749,713	853,316
<b>Total Assets</b>	<u>\$ 13,190,761</u>	<u>\$ 12,776,207</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 427,009	\$ 624,834
Accrued expenses	158,933	314,878
Obligations under capital leases	3,305	6,146
Deferred revenue	368,638	339,958
Deferred rent liability	69,306	69,306
PPP loan	373,155	-
<b>Total Current Liabilities</b>	<u>1,400,346</u>	<u>1,355,122</u>
Other Liabilities:		
PPP loan, net of current portion	299,645	-
Deferred rent liability, net of current portion	1,077,825	976,387
<b>Total Liabilities</b>	<u>2,777,816</u>	<u>2,331,509</u>
Net Assets:		
Without Donor Restrictions:		
Invested in property and equipment	749,713	853,316
Board-designated	3,480,971	3,480,971
Undesignated	5,076,963	3,704,440
<b>Total Without Donor Restrictions</b>	<u>9,307,647</u>	<u>8,038,727</u>
With donor restrictions	1,105,298	2,405,971
<b>Total Net Assets</b>	<u>10,412,945</u>	<u>10,444,698</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 13,190,761</u>	<u>\$ 12,776,207</u>

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2020 (WITH SUMMARIZED TOTALS FOR 2019)*

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2020 Total</b>	<b>2019 Total</b>
<b>Revenue:</b>				
Contributions	\$ 7,796,851	\$ 1,436,015	\$ 9,232,866	\$ 11,443,291
Government grants	-	793,080	793,080	957,413
Conference	410,007	-	410,007	3,670,516
Miscellaneous income	114,258	-	114,258	199,538
Interest income, net	39,859	-	39,859	59,908
Released from restrictions	3,529,768	(3,529,768)	-	-
Total Revenue	<u>11,890,743</u>	<u>(1,300,673)</u>	<u>10,590,070</u>	<u>16,330,666</u>
<b>Expenses:</b>				
Program services	8,712,815	-	8,712,815	12,060,315
Management and general	1,294,071	-	1,294,071	1,093,722
Fundraising	614,937	-	614,937	589,340
Total Expenses	<u>10,621,823</u>	<u>-</u>	<u>10,621,823</u>	<u>13,743,377</u>
Change in net assets	1,268,920	(1,300,673)	(31,753)	2,587,289
Net assets, beginning of year	8,038,727	2,405,971	10,444,698	7,857,409
Net assets, end of year	<u>\$ 9,307,647</u>	<u>\$ 1,105,298</u>	<u>\$ 10,412,945</u>	<u>\$ 10,444,698</u>

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

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2020 (WITH SUMMARIZED TOTALS FOR 2019)*

	Federal Advocacy	State Advocacy and Support	Communications and Marketing	Data and Research	National Conference	Policy	Legal	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total	2019 Total
Salaries and related expenses	\$ 834,273	\$ 961,464	\$ 792,457	\$ 339,550	\$ 425,531	\$ 235,857	\$ 186,097	\$ 3,775,229	\$ 667,630	\$ 350,022	\$ 1,017,652	\$ 4,792,881	\$ 4,307,124
Professional services and fees	452,737	876,982	744,789	21,174	544,590	752,222	339,845	3,732,339	499,646	93,050	592,696	4,325,035	5,941,616
Rent	72,583	92,967	77,395	32,373	37,885	8,358	14,893	336,454	29,543	30,540	60,083	396,537	468,983
Insurance	-	-	-	-	3,903	-	-	3,903	9,020	-	9,020	12,923	19,870
Travel	48,917	19,812	9,001	3,713	21,677	9,099	-	112,219	615	4,358	4,973	117,192	582,475
Meeting expenses	30,113	5,472	2,744	1,262	158,800	144	1,554	200,089	32,527	1,445	33,972	234,061	1,490,255
Office expenses	21,171	8,324	107,091	5,025	37,315	1,642	557	181,125	33,511	121,885	155,396	336,521	506,761
Dues and subscriptions	27,728	12,917	56,540	1,132	2,260	-	6,055	106,632	14,047	5,197	19,244	125,876	187,265
Marketing	-	-	141,806	-	33,107	-	-	174,913	-	82	82	174,995	153,479
Total expenses before noncash transactions	1,487,522	1,977,938	1,931,823	404,229	1,265,068	1,007,322	549,001	8,622,903	1,286,539	606,579	1,893,118	10,516,021	13,657,828
Noncash Transactions: Depreciation and amortization	19,863	23,280	21,179	8,859	10,368	2,287	4,076	89,912	7,532	8,358	15,890	105,802	85,549
Total Expenses	<u>\$ 1,507,385</u>	<u>\$ 2,001,218</u>	<u>\$ 1,953,002</u>	<u>\$ 413,088</u>	<u>\$ 1,275,436</u>	<u>\$ 1,009,609</u>	<u>\$ 553,077</u>	<u>\$ 8,712,815</u>	<u>\$ 1,294,071</u>	<u>\$ 614,937</u>	<u>\$ 1,909,008</u>	<u>\$ 10,621,823</u>	<u>\$ 13,743,377</u>

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

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (31,753)	\$ 2,587,289
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation expense	105,802	85,549
Changes in operating assets and liabilities:		
Accounts receivable, net	(81,139)	33,852
Grants receivable, net	2,621,460	(1,382,477)
Prepaid expenses and other current assets	15,718	(35,710)
Accounts payable	(197,825)	(214,126)
Accrued expenses	(155,945)	44,777
Deferred revenue	28,680	25,390
Deferred rent liability	101,438	269,296
Net cash flows from operating activities	<u>2,406,436</u>	<u>1,413,840</u>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(2,199)	(121,371)
Purchases of investments	(372,322)	(695,259)
Reinvested dividends	(11,500)	(59,817)
Net cash flows from investing activities	<u>(386,021)</u>	<u>(876,447)</u>
<b>Cash flows from financing activities:</b>		
Payments on capital lease obligation	(2,841)	(4,311)
Advance from PPP loan	672,800	-
Net cash flows from financing activities	<u>669,959</u>	<u>(4,311)</u>
Net increase in cash	2,690,374	533,082
Cash and cash equivalents, beginning of year	4,305,759	3,772,677
Cash and cash equivalents, end of year	<u>\$ 6,996,133</u>	<u>\$ 4,305,759</u>
<b>Noncash transactions:</b>		
Assets acquired by capital leases	<u>\$ -</u>	<u>\$ 8,817</u>
Assets acquired by tenant incentive	<u>\$ -</u>	<u>\$ 762,375</u>

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

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 1—Organization

National Alliance for Public Charter Schools (the “National Alliance”) is a 501(c)(3) nonprofit organization located in Washington, D.C., incorporated under the laws of Washington, D.C. in April 2004. National Alliance is the leading national nonprofit organization committed to advancing the charter school movement. National Alliance receives grants and contributions from foundations and government agencies and works to increase the number of high-performing charter schools available to all families, particularly low-income and minority families who currently do not have access to quality public schools. National Alliance provides assistance to state charter school associations and resource centers, develops, and advocates for improved public policies and serves as the united voice for this large and diverse movement. More than 3.3 million students attend more than 7,500 charter schools in 44 states and the District of Columbia.

### Note 2—Summary of significant accounting policies

*Basis of Accounting* –National Alliance follows the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). National Alliance classifies resources into net asset classes established according to the nature, purpose, and restrictions placed by donors on the use of such resources. Accordingly, all financial transactions have been recorded and reported by net asset classes as follows:

*Net Assets Without Donor Restriction* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of National Alliance. These net assets may be used at the discretion of National Alliance’s management and the board of directors. National Alliance has chosen to provide further classification about net assets without donor restriction on the statements of financial position.

*Invested in Property and Equipment* – Represents net assets invested in property and equipment, net of the accumulated depreciation.

*Board-Designated* – Represents resources set aside by the board of directors to be used for specific activities within guidelines established by the board.

*In-Kind Donations* – Represents donated assets without donor restriction.

*Undesignated* – Represents the cumulative net assets without donor restriction excluding those net assets invested in property and equipment or designated by the board for specific activities.

*Net Assets With Donor Restriction* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of National Alliance or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2020 and 2019, there are no net assets with donor restriction to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statements of activities.

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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### Note 2—Summary of significant accounting policies (continued)

Revenue is reported as increases in net assets without donor restriction unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets are reported as reclassifications from net assets with donor restriction to net assets without donor restrictions.

*Cash and Cash Equivalents* – Cash and cash equivalents consist primarily of demand deposits and highly liquid investments with original maturities of three months or less and available for current operations.

National Alliance places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. National Alliance from time to time may have amounts on deposit in excess of insured limits. As of December 31, 2020 and 2019, National Alliance had \$5,889,053 and \$3,962,119 respectively, which exceeded these amounts.

*Investments* –National Alliance has adopted the *Investments-Debt and Equity Securities for Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under this topic, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Realized gains on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security’s fair value at the beginning of the year. Donated securities are recorded at their fair value on the date of donation. National Alliance’s investments are limited to those that are aligned with its investment policy.

*Accounts Receivable* – Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. Management’s determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio. As of December 31, 2020 and 2019, National Alliance’s allowance for doubtful accounts was \$- and \$48,814, respectively.

*Grants Receivable* – Grants receivables are accounted for as contributions and government grants and are reported at their outstanding balances and represent current obligations of grantors in a future year. Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although National Alliance expects such amounts, if any, to be immaterial. Grants received that exceed one year are required to be the present value of the promised amount discounted by a risk-free interest rate commensurate with the term of the payments. The related discount is to be amortized using the interest method over the life of the promise.

*Property and Equipment, Net* –National Alliance capitalizes all property and equipment acquisitions greater than \$1,500 and a useful life of 3 years. National Alliance’s furniture, fixtures, equipment, website development costs and leasehold improvements are carried at original cost less accumulated depreciation and amortization. Depreciation and amortization expense are computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 7 years. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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### Note 2—Summary of significant accounting policies (continued)

*Revenue Recognition* – National Alliance recognizes revenue in accordance with the *Revenue Recognition for Not-For-Profit Entities* Topic of FASB ASC 958 and *Revenue from Contracts with Customers* Topic of FASB ASC 606.

*Contributions* – Contributions, including contributions receivable, are recognized as revenue in the period received. Conditional promises to give are not recognized until donor stipulations are substantially met and the right of return or release is overcome. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give are recorded as net assets with donor restrictions at the estimated present value of estimated future cash flows, using a credit risk adjusted discount rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is recorded as contribution revenue in the appropriate net asset class. An allowance for uncollectible contributions receivable is provided based upon management’s judgment of such factors as prior collection history, type of contribution, and other relevant factors.

*Government Grants* – Based on the guidance of ASU 2018-08, National Alliance’s government grants are nonreciprocal transactions which fall under the guidance of ASC 958. The government grants have limited discretion inherent in the requirements of federal cost principals and are restricted for the purpose of the grant. As such, government grants are considered conditional until the point in time when expenses related to the purpose of the project are incurred and the right of return is overcome.

*In-Kind Donations* – In-kind donations are reflected at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both in-kind donation income on the statements of activities and in-kind donation expense on the statements of functional expenses. There were \$110,172 and \$75,000 in in-kind donations for the years ended December 31, 2020 and 2019.

*Conference* – National Alliance holds a conference annually and enters into contracts with participants for registration, exhibitors, and sponsors related to their participation in the conference.

National Alliance considers a contract with a customer to exist under Topic 606 when there is approval and commitment from the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. National Alliance also considers whether two or more contracts entered into with the same customer should be combined and accounted for as a single contract.

In the event a contract is modified, the modification is evaluated by management to determine whether the modification should be accounted for as part of the original performance obligation(s) or as a separate contract. If the modification adds distinct goods or services and increases the contract value proportionate to the stand-alone selling price of the additional goods or services, it will be accounted for as a separate contract.

A performance obligation, a unit of account under the new revenue recognition standard, is a promise in a contract to transfer a distinct good or service to the customer. National Alliance evaluates promised goods and services in contracts with the customer to determine whether each promise represents the transfer of distinct goods or services under Topic 606. Multiple promised goods or services often represent a single performance obligation due to the promised goods or services being integrated into a combined or highly interrelated outputs. This evaluation requires significant judgment.

National Alliance allocates the transaction price of a contract between the performance obligations in the proportion to their respective stand-alone selling price. Generally, National Alliance estimates the stand-alone selling price of performance obligations based on an expected cost-plus margin approach as allowed under Topic 606.

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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### Note 2—Summary of significant accounting policies (continued)

Revenue on contracts with customers may either be recognized over time, or at a point in time. National Alliance recognizes revenue over time as the participant, sponsor, or exhibitor simultaneously receives and consumes the benefits of the contract at the conference. To measure progress towards the satisfaction of the underlying performance obligation(s), National Alliance uses the milestone reached output method where the milestone is the conference.

National Alliance had no conference contract receivables or revenue recognized in excess of related billings (contract asset) as of December 31, 2020 or 2019. National Alliance received billings in excess of related revenue and these amounts are reflected as deferred revenue (contract liabilities) as of December 31, 2020 and 2019.

See Note 12 for additional information about the conferences.

*Advertising* – Advertising costs are expensed the first time the advertising occurs.

*Expense Allocation* – The costs of providing the various programs and activities has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated to the program and support services benefited. Such allocations have been determined by management to be allocated on a time and effort basis.

*Fair Market Valuation* – National Alliance adopted the provisions of the *Fair Value Measurements and Disclosure Topic* (“Fair Value Topic”) of FASB ASC as its valuation methodology. The Fair Value Topic provides the framework for measuring fair value of assets and liabilities. The Fair Value topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. It also establishes a hierarchy to help maximize the use of observable inputs when measuring fair values. These measurements are then classified by how observable or unobservable the inputs used to reach fair market value are. The three levels of the fair value hierarchy are:

*Level 1* – Inputs to the valuation methodology are quoted prices available in actively traded markets for identical investments as of the reporting date.

*Level 2* – Inputs to the valuation methodology are quoted prices outside of the active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

*Level 3* – Inputs to valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of National Alliance’s valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

*Money Market Funds* – These investments are public investment vehicles valued using \$1 for the net asset value (“NAV”). The money market funds are classified within Level 1 of the valuation hierarchy.

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

**Note 2—Summary of significant accounting policies (continued)**

*Income Taxes* – National Alliance is exempt from federal income taxes under 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes has been recorded in the financial statements. Management has evaluated the effect of the guidance provided by accounting principles generally accepted in the United States of America. Management believes that National Alliance continues to satisfy the requirements of a tax-exempt organization at December 31, 2020 and 2019. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined National Alliance had no significant uncertain income tax positions at December 31, 2020 and 2019.

*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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Future Accounting Pronouncements* – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains consistent with U.S. GAAP. This ASU is effective for fiscal years beginning after December 15, 2021. National Alliance is currently evaluating the effect the ASU will have on the financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-profit Entities for Contributed Nonfinancial Assets*. The main provision of the standard is to present contributed nonfinancial assets as a separate line item on the statement of activities apart from contributions of cash and financial assets. This ASU is effective for fiscal years beginning after June 15, 2021 and will be applied retrospectively. National Alliance is currently evaluating the effect the ASU will have on the financial statements.

**Note 3—Liquidity and availability**

The table below represents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,996,133	\$ 4,305,759
Investments	4,046,093	3,662,271
Accounts receivable, net	89,004	7,865
Grants receivable, net	844,176	2,965,636
Total financial assets	<u>11,975,406</u>	<u>10,941,531</u>
Less amounts not available to be used for general expenditure within one year:		
Board-designated net assets	3,480,971	3,480,971
Net assets subject to donor restriction	1,105,298	2,405,972
Financial assets not available to be used within one year	<u>4,586,269</u>	<u>5,886,943</u>
Financial assets available to meet general expenditure within one year	<u>\$ 7,389,137</u>	<u>\$ 5,054,588</u>

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

**Note 3—Liquidity and availability (continued)**

National Alliance has certain board-designated and donor-restricted assets limited to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the qualitative information above for financial assets to meet general expenditures within one year. However, the board-designated amounts could be made available, if necessary. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year.

As part of National Alliance’s liquidity management plan, cash in excess of daily requirements are invested. Occasionally, the board designates a portion of any operating surplus to an operating reserve, which was \$3,480,971 and \$3,480,971 at December 31, 2020 and 2019. This fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs. See Note 10 for further information.

Additionally, National Alliance maintains a \$1,000,000 line of credit, as discussed in more detail in Note 7. As of December 31, 2020 and 2019, \$1,000,000 remained available on National Alliance’s line of credit.

**Note 4—Fair value measurements**

Fair value hierarchy level at December 31, 2020 was as follows:

	<b>Level 1</b>
Money market account	<u>\$ 4,046,093</u>

Fair value hierarchy level at December 31, 2019 was as follows:

	<b>Level 1</b>
Money market account	<u>\$ 3,662,271</u>

**Note 5—Property and equipment**

Property and equipment are summarized as follows:

	<b>2020</b>	<b>2019</b>
Computers and equipment	\$ 83,001	\$ 195,381
Furniture and fixtures	167,799	167,799
Leasehold improvements	<u>717,592</u>	<u>715,392</u>
Total	968,392	1,078,572
Less accumulated depreciation and amortization	<u>(218,679)</u>	<u>(225,256)</u>
Total property and equipment, net	<u>\$ 749,713</u>	<u>\$ 853,316</u>

Depreciation and amortization expense was \$105,802 and \$85,549 for the years ended December 31, 2020 and 2019, respectively.

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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### Note 6—Operating lease commitments

National Alliance had a one hundred twenty-one month noncancelable operating lease for its office facility that expired April 30, 2019.

On October 15, 2018, National Alliance entered into an 11-year lease commencing on May 1, 2019. Rent expense is recognized on a straight-line basis. The total rent expense was \$392,590 and \$436,734 for the years ended December 31, 2020 and 2019, respectively. A tenant incentive totaling \$762,375 was used to purchase leasehold improvements. The tenant incentive is included in the deferred rent liability and being amortized over the life of the lease.

Future minimum operating lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 493,400
2022	505,735
2023	518,379
2024	531,338
Thereafter	3,064,740
	<u>\$ 5,113,592</u>

### Note 7—Line of credit

In July 2018, National Alliance negotiated a \$1,000,000 revolving line of credit (the “line”). The line was extended through the expiration date of November 30, 2021. During 2020, the line bears interest at the greater of the prime rate plus 1.00% or a floor rate of 4.00% as of December 31, 2020. During 2019, the line bears interest at the greater of the prime rate plus 0.50% or a floor rate of 4.00% as of December 31, 2019. The interest rate was 4.25% and 6.00% at December 31, 2020 and 2019, respectively. The line is secured, in whole or in part, by any real property.

As of December 31, 2020 and 2019, there were no borrowings against the revolving line of credit.

### Note 8—Contingencies and uncertainty

On March 11, 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. Global financial markets have experienced significant volatility resulting from the spread of COVID-19. The extent of the impact of COVID-19 on National Alliance’s financial statements will depend on future developments, including the duration and continued spread of the outbreak. National Alliance has evaluated the impact of this outbreak on their daily operations and will continue to monitor the situation. As of the date of this report, there is no estimate impact to operations as a result of this outbreak.

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

### Note 8—Contingencies and uncertainty (continued)

National Alliance received a loan under the Paycheck Protection Program (“PPP loan”) in the amount of \$672,800, on April 20, 2020 which was established under the Cares Act and administered by the Small Business Administration. The application for the PPP loan requires National Alliance to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of National Alliance. This certification further requires National Alliance to take into account their current business activity and their ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on National Alliance having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. There is no assurance that National Alliance’s obligation under the PPP loan will be forgiven. If the PPP loan is not forgiven, National Alliance will need to repay the PPP loan over the applicable repayment period, commencing after the applicable deferral period.

National Alliance accounted for the PPP loan in accordance with ASC 470, *Debt*. The loan bears interest at 1% per annum. The loan requires monthly payments of principal and interest, after an initial deferral period, until maturity on April 20, 2022. The following summarizes the future minimum payments by year:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 375,337
2022	300,269
Total minimum debt payments	675,606
Less interest	(2,806)
Thereafter	<u>\$ 672,800</u>

### Note 9—Retirement plan

National Alliance has a defined contribution retirement plan to provide retirement benefits for substantially all of its full time employees. National Alliance’s contribution to the plan is based on a percentage of the employees’ salaries and contributions. Retirement expense amounted to \$184,923 and \$135,163 for the years ended December 31, 2020 and 2019, respectively, and is included in salaries and related expenses on the statement of functional expenses.

### Note 10—Board-designated net assets

Certain net assets without donor restrictions at December 31, 2020 and 2019 have been designated by the board of Directors for the purpose of an operating reserve. The operating reserve was established by National Alliance to provide for liquid funds in the event of short-term cash flow needs for unanticipated events that would necessitate the use of reserves to continue the operations and mission of the organization.

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

**Note 10—Board-designated net assets (continued)**

National Alliance established and maintains an operating reserve to ensure continuity of operations despite significant declines in grantor income, economic downturns, or emergencies. The reserve was established in 2006 and funded by an amount equaling no less than 5% of the annual operating budget in a given year. The target level of this reserve was 50% of the annual operating budget to be built over a period of five years. The finance committee, in accordance with the board-approved investment policies of National Alliance, shall monitor the investments in the reserve account. An executive committee vote is required for the use of any reserve funds. At December 31, 2020 and 2019, the board had designated \$3,480,971 of total net assets without donor restriction for this reserve. Additionally, the board may establish other reserves as deemed appropriate and/or change the purpose for which this reserve has been established. At December 31, 2020 and 2019, the board had designated \$3,480,971 and \$3,480,971 of total net assets without donor restriction for this reserve, respectively.

**Note 11—Net assets with donor restriction**

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by donors for the following purposes restrictions:

	<u>2020</u>	<u>2019</u>
Subjected to restriction for educational purposes:		
Schwab Foundation	\$ -	\$ 300,000
Reed Hastings	-	96,917
Charter Fund	-	13,848
J.A. & Katheryn Albertson Foundation	-	225,000
Kellogg Foundation	-	328,894
Bill and Melinda Gates Foundation	190,406	-
The Anschutz Foundation	205,476	19,482
Daniel Foundation	100,250	
Searle Foundation		
Subjected to time restriction:		
Bill and Melinda Gates Foundation	480,000	1,421,830
The Rales Foundation	29,166	-
The Margaret and Daniel Loeb Foundation	100,000	-
Total net assets with donor restriction	<u>\$ 1,105,298</u>	<u>\$ 2,405,971</u>

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 were released from donor restriction by incurring expenses satisfying the purpose restriction.

As of December 31, 2020 and 2019, respectively, National Alliance has conditional promises to give totaling \$10,000,000 and \$2,677,638 outstanding. These conditional promises to give are not recognized as assets in the statement of financial position until they become unconditional, that is, when the conditions on which they depend are substantially met and the right of return or release is overcome. Conditions include a matching requirement and certain performance requirements.

# NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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### **Note 12—Conference**

Annually National Alliance hosts National Alliance Charter Schools Conference. In 2020, National Alliance Conference was held virtually in response to COVID-19 and generated \$410,007 in revenue. Expenses for the 2020 National Conference were \$1,275,436. In 2019, National Alliance Conference was held in Las Vegas, Nevada and generated \$3,670,516 in revenue. Expenses for the 2019 National Conference were \$2,833,887.

### **Note 13—Related party transactions**

National Alliance, a 501(c)(3) nonprofit organization, is related to National Alliance for Public Charter Schools Action Fund and the Charter Schools Action Fund (listed in both years as the “Action Fund”), both nonprofit 501(c)(4) corporations. During 2014, National Alliance for Public Charter Schools Action Fund dissolved, and the Charter Schools Action Fund was created. The activities of National Alliance and the Action Fund are not consolidated since National Alliance does not have management or financial control over the Action Fund. The Action Fund represents the interests of the charter sector and is therefore a related party.

National Alliance provided the Action Fund support for operating expenses to help develop the organization. The time spent by National Alliance employees was charged to the Action Fund. The outstanding amount due was \$89,005 and \$43,022 as of December 31, 2020 and 2019, respectively. This amount has been recorded and reported in prepaid expenses and other current assets on the statements of financial position.

### **Note 14—Subsequent events**

In March 2021, the Company obtained a second loan under the Paycheck Protection Program (“PPP2”) in the amount of \$689,572. The loan is subject to similar federal guidance as their original PPP promissory note. Forgiveness will be determined, subject to limitations and ongoing rulemaking by the SBA, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs, and the maintenance of employee and compensation levels. Any unforgiven portion of the PPP loan is payable five years after the forgiveness application date at an interest rate of 1%. While the Company believes it has used the proceeds for purposes consistent with the PPP and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan in full, it is possible that the ultimate forgiveness may not be for the full proceeds received.

In May 2021, the Company received forgiveness on their PPP promissory note, plus accrued interest, as noted in Note 8.

National Alliance has evaluated subsequent events through June 21, 2021, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO SCHEDULE**

YEAR ENDED DECEMBER 31, 2020

Federal Contractor/Grantor	Federal CFDA Number	Contract/Grant Number	Total YTD Expenditures
<b>US Department of Education</b>			
<i>*Facilitating Charter Schools</i>			
<i>A Proposal to Create a Charter School</i>			
<i>Facility Center at the National Alliance</i>			
<i>for Public Charter Schools</i>	84.282	UT282T180010	\$ 643,080
 <b>US Department of Agriculture Rural Housing Service</b>			
<i>Rural Housing Service</i>			
<i>Community Facilities Technical Assistance</i>			
<i>and Training Grant Agreement</i>	10.766	62909	150,000
 <b>Total Expenditures of Federal Awards</b>			<b>\$ 793,080</b>

(\*) Major Program

**Note 1—Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of National Alliance for Public Charter Schools (the "National Alliance") and is presented on the accrual basis of accounting. National Alliance has elected to use the 10-percent de minimis indirect costs rate. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

## **GRANT COMPLIANCE**

**Report of Independent Auditor 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  
National Alliance for Public Charter Schools  
Washington, D.C.

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 National Alliance for Public Charter Schools (the "National Alliance"), which comprise the statement of financial position as of December 31, 2020, 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 June 21, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National Alliance'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 National Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of National Alliance'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 the attention of those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether National Alliance's financial statements are free of 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 National Alliance's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Baekaert CP".

Tysons Corner, Virginia  
June 21, 2021

## **Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance**

To the Board of Directors  
National Alliance for Public Charter Schools  
Washington, D.C.

### **Report on Compliance for Each Major Program**

We have audited National Alliance for Public Charter Schools (the “National Alliance”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National Alliance’s major federal programs for the year ended December 31, 2020. National Alliance’s major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

### **Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for National Alliance’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (“Uniform Guidance”). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Alliance’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Alliance’s compliance with those requirements.

### **Opinion on the Major Federal Program**

In our opinion, National Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### **Report on Internal Control over Compliance**

Management of National Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Alliance’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Alliance’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control 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 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 control 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 control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in cursive script that reads "Cherry Baekaert CP".

Tysons Corner, Virginia  
June 21, 2021

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2020

**Financial Statement Section:**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes        x   no

Significant deficiency(ies) identified not considered to be material weakness(es)?

\_\_\_\_\_ yes        x   none reported

Noncompliance material to financial statements noted

\_\_\_\_\_ yes        x   no

**Federal Awards Section:**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes        x   no

Significant deficiency(ies) identified not considered to be material weakness(es)?

\_\_\_\_\_ yes        x   none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of Uniform Guidance

\_\_\_\_\_ yes        x   no

Identification of major federal programs:

\_\_\_\_\_ **CFDA Numbers** \_\_\_\_\_  
 84.282

\_\_\_\_\_ **Name of Program or Cluster** \_\_\_\_\_  
 Charter Schools

Dollar threshold used to determine Type A programs:

\$ \_\_\_\_\_ 750,000

Auditee qualified as low-risk auditee for federal purposes?

\_\_\_\_\_ yes        x   no

**NATIONAL ALLIANCE FOR PUBLIC CHARTER SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*YEAR ENDED DECEMBER 31, 2020*

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**Section II—Financial Statement Findings**

None reported

**Section III—Federal Award Findings and Questioned Costs**

None reported

**Section IV—Prior Year Findings**

No prior year findings.