

**CARLOS ROSARIO INTERNATIONAL  
PUBLIC CHARTER SCHOOL  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

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**Years Ended June 30, 2018 and 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Carlos Rosario International Public Charter School and Affiliates

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Carlos Rosario International Public Charter School and Affiliates (collectively referred to as the School), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### ***Opinion***

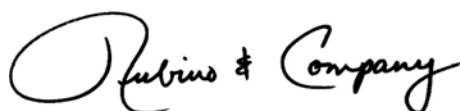
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Carlos Rosario International Public Charter School and Affiliates as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter – Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental consolidating information, consolidated schedule of functional expenses, and schedule of contract costs over \$25,000 are presented for purposes of additional analysis and are not required parts of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 27, 2018, on our considerations of the Carlos Rosario International Public Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 the Carlos Rosario International Public Charter School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned centrally on the page.

November 27, 2018  
Bethesda, Maryland

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 13,797,769	\$ 18,083,445
Restricted	-	1,675,647
	<u>13,797,769</u>	<u>19,759,092</u>
Grant and other receivables	63,569	25,043
Current portion of notes receivable	54,673	212,167
Prepaid expenses and other	<u>610,382</u>	<u>537,597</u>
Total current assets	14,526,393	20,533,899
Investments	11,153,843	3,147,826
Non-current portion of notes receivable	3,518,000	3,802,058
Property and equipment, net	27,190,979	28,870,179
Deferred rent receivable	366,033	101,794
Other assets	<u>289,739</u>	<u>296,150</u>
Total assets	<u>\$ 57,044,987</u>	<u>\$ 56,751,906</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and other accruals	\$ 608,070	\$ 726,683
Accrued salaries and related expenses	1,715,287	1,598,314
Current portion of notes payable, net	<u>859,026</u>	<u>802,196</u>
Total current liabilities	3,182,383	3,127,193
Interest rate swap liability	269,501	455,244
Accrued postretirement benefit	366,256	350,905
Deposit	29,557	29,557
Non-current portion of notes payable, net	<u>24,259,656</u>	<u>25,118,684</u>
Total liabilities	<u>28,107,353</u>	<u>29,081,583</u>
Net assets		
Unrestricted	28,824,761	27,603,577
Temporarily restricted	<u>112,873</u>	<u>66,746</u>
Total net assets	<u>28,937,634</u>	<u>27,670,323</u>
Total liabilities and net assets	<u>\$ 57,044,987</u>	<u>\$ 56,751,906</u>

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

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and support			
Charter per pupil allotment			
Regular	\$ 20,215,075	\$ -	\$ 20,215,075
Facilities	<u>6,704,728</u>	<u>-</u>	<u>6,704,728</u>
	<u>26,919,803</u>	<u>-</u>	<u>26,919,803</u>
Grants and contributions			
Federal grants	119,784	-	119,784
State grants	16,000	-	16,000
Contributions	100,452	138,575	239,027
In-kind support	<u>16,403</u>	<u>-</u>	<u>16,403</u>
	<u>252,639</u>	<u>138,575</u>	<u>391,214</u>
Program service - rental income	732,067	-	732,067
Cafeteria sales	453,943	-	453,943
Other income	219,789	-	219,789
Net assets released from restrictions	<u>92,448</u>	<u>(92,448)</u>	<u>-</u>
Total revenue and support	<u>28,670,689</u>	<u>46,127</u>	<u>28,716,816</u>
Expenses			
Educational programs	19,534,772	-	19,534,772
Program services - rental operations	4,556,429	-	4,556,429
Community outreach	6,034	-	6,034
General and administrative	3,420,579	-	3,420,579
Fundraising	<u>123,453</u>	<u>-</u>	<u>123,453</u>
Total expenses	<u>27,641,267</u>	<u>-</u>	<u>27,641,267</u>
Changes in net assets from operations	<u>1,029,422</u>	<u>46,127</u>	<u>1,075,549</u>
Non-operating activity			
Change in interest rate swap liability, net	185,743	-	185,743
Investment return, net	<u>6,019</u>	<u>-</u>	<u>6,019</u>
Change in net assets	1,221,184	46,127	1,267,311
Net assets, beginning of year	<u>27,603,577</u>	<u>66,746</u>	<u>27,670,323</u>
Net assets, end of year	<u>\$ 28,824,761</u>	<u>\$ 112,873</u>	<u>\$ 28,937,634</u>

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

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and support			
Charter per pupil allotment			
Regular	\$ 18,186,668	\$ -	\$ 18,186,668
Facilities	6,404,200	-	6,404,200
	<u>24,590,868</u>	<u>-</u>	<u>24,590,868</u>
Grants and contributions			
State grants	92,548	-	92,548
Contributions	83,268	70,882	154,150
In-kind support	43,619	-	43,619
	<u>219,435</u>	<u>70,882</u>	<u>290,317</u>
Program service - rental income	744,996	-	744,996
Culinary arts sales	461,194	-	461,194
Other income	268,431	-	268,431
Net assets released from restrictions	<u>107,787</u>	<u>(107,787)</u>	<u>-</u>
Total revenue and support	<u>26,392,711</u>	<u>(36,905)</u>	<u>26,355,806</u>
Expenses			
Educational programs	17,885,486	-	17,885,486
Program services - rental operations	4,692,222	-	4,692,222
General and administrative	3,190,086	-	3,190,086
Fundraising	114,489	-	114,489
Total expenses	<u>25,882,283</u>	<u>-</u>	<u>25,882,283</u>
Changes in net assets from operations	<u>510,428</u>	<u>(36,905)</u>	<u>473,523</u>
Non-operating activity			
Change in interest rate swap liability, net	259,119	-	259,119
Investment return, net	<u>23,265</u>	<u>-</u>	<u>23,265</u>
Change in net assets	792,812	(36,905)	755,907
Net assets, beginning of year	<u>26,810,765</u>	<u>103,651</u>	<u>26,914,416</u>
Net assets, end of year	<u>\$ 27,603,577</u>	<u>\$ 66,746</u>	<u>\$ 27,670,323</u>

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

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 1,267,311	\$ 755,907
Reconciling adjustments		
Depreciation and amortization	2,243,954	2,305,050
Net unrealized losses on investments	125,022	37,660
Changes in operating assets and liabilities		
Grants and other receivables	(38,526)	(23,954)
Prepaid expenses	(92,989)	423,291
Other assets	6,411	137,359
Accounts payable and other accruals	(118,613)	17,848
Accrued salaries and related expenses	116,973	(32,769)
Interest rate swap liability	(185,743)	(259,119)
Deferred rent	(264,239)	146,274
Other liabilities	72,181	(240,242)
	3,131,742	3,267,305
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from investments	89,935	1,052,795
Purchase of investments	(8,220,974)	(1,096,000)
Collections on note receivable	441,552	(27,285)
Purchase of property and equipment	(544,550)	(3,439,621)
	(8,234,037)	(3,510,111)
Net cash used by investing activities		
Cash flows from financing activities		
Repayment of debt	(859,028)	(802,195)
	(859,028)	(802,195)
Net decrease in cash and cash equivalents	(5,961,323)	(1,045,001)
Cash and cash equivalents, beginning of year	19,759,092	20,804,093
Cash and cash equivalents, end of year	\$ 13,797,769	\$ 19,759,092

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



**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended June 30, 2018 and 2017**

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**1. Organization**

The Carlos Rosario International Public Charter School (the School) was organized in September 1998 under the District of Columbia School Reform Act of 1995. The School's mission is to provide education that prepares the diverse adult immigrant population of Washington, DC to become invested, productive citizens and members of the American society who give back to family and community. The School accomplishes this through excellence in teaching and learning in partnership with the community by fostering a safe and compassionate learning environment.

The School offers classes to adults in subjects including English, U.S. Citizenship, GED preparation, computer literacy, culinary arts, and family literacy. There were approximately 2,100 and 2,050 students enrolled for the school years ended June 30, 2018 and 2017, respectively.

CCC was incorporated in 2001, received 501(c)(3) non-profit organization exempt status in 2002, and in 2008 was designated as a Type 2 supporting organization to the School under Section 509(a)(3) of the Internal Revenue Code. CCC's purpose is to operate for charitable and educational purposes for the benefit of the School. The primary role of CCC has been as the developer, manager and landlord of the two facilities that the School occupies.

Community Capital Corporation-Sonia Gutierrez Campus (CCC-SGC) was incorporated on July 10, 2012, as a nonprofit 501(c)(2) title holding corporation under the laws of the District of Columbia. CCC-SGC was formed to hold the real state property located at 514 V Street, Washington D.C., to be developed for educational uses on behalf of its parent, CCC.

**2. Summary of Significant Accounting Policies**

Principles of Consolidation

The accompanying consolidated financial statements include all of the accounts of the School, CCC, and CCC-SGC. All material intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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**2. Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents

The School and its affiliates maintain cash balances at various financial institutions which, at times, may exceed federally insured limits. Cash equivalents at June 30, 2017 included money market accounts. The School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purposes of the statement of cash flows, the School and its affiliates considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents, except the cash and cash equivalents held as part of the long-term investments.

Investments

Investments are recorded at estimated fair value based on quoted market prices provided by the investment managers. Realized and unrealized holding gains, and losses are included as non-operating investment income in the statement of activities. Net investment income is reported as an increase in unrestricted net assets, unless restricted by donor or law.

Property and Equipment

The School and its affiliates capitalize all property and equipment purchased in excess of \$10,000. Property and equipment is recorded at cost, and donated property is recorded at fair market value. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from three to twenty years. The statements of financial position also reflect assets obtained under capital lease agreements. Amortization for capital leased assets is calculated as depreciable equipment. The amortization of leasehold improvements is recorded over the shorter of the lease term or the estimated useful life of the improvements. At the time assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to income.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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Years Ended June 30, 2018 and 2017**

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**2. Summary of Significant Accounting Policies (continued)**

Cost of Issuance

The entities' cost of issuance of the tax-exempt bonds refinancing and financing under the New Market Tax Credit Program (NMTC) consists of underwriters' fees, professional fees, printing, and other costs. The cost of issuance is reported as a discount to the debt.

The cost of issuance for the bond was fully amortized in 2014 year due to the refinancing of the Harvard Street building. The bond was paid in full with the proceeds of a new term-loan as discussed in Note 8. The term-loan's cost of issuance was \$83,764 and is being amortized on a straight-line basis over the 10-year term of the loan. The cost of issuance of the financing under the NMTC was \$722,253 and is being amortized on a straight-line basis over the 32-year term of the financing under the NMTC. The discount amortization, reported as interest expense, totaled \$32,452, for each of the years ended June 30, 2018 and 2017.

Contributions Receivable

Contributions receivable, if any, are stated at fair value, net of any applicable discounts. An allowance for bad debt is recorded for any uncollectible amounts in the period such a determination is made.

Support and Funding

The School receives a per-pupil allocation from the District of Columbia to cover the cost of academic expenses. This student allocation is on a per-pupil basis and includes academic year funding and a facilities allotment. The School recognizes the funding as revenue and support in the year in which the School term is conducted.

Contributions and Net Assets

Contributions and unconditional promises to give are recorded as support, at fair value, when received. Contributions and unconditional promises to give that are restricted by the donor as to time or purpose, are reported as an increase in temporarily restricted net assets. When a time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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**2. Summary of Significant Accounting Policies (continued)**

Grant Revenue and Support

Revenue and support from government contracts and grants that provide for cost reimbursement is recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or per-diem services are provided. Revenue recognized in excess of cash received is reported as a grant receivable. Cash received in excess of revenue recognized is reported as deferred revenue.

Program Service Revenue

Program service revenue consists primarily of rental income. Rental income is recognized on a straight-line basis over the terms of the leases. The deferred rent asset results from the difference between cash received under leases and straight-line rental income recognized.

Functional Allocation of Expenses

The costs of providing the programs have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and administrative services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function. General and administrative expenses include those expenses that are not directly identifiable with any specific function but that provide for the overall support and direction for the School.

Tax Status

Under the provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, the School and CCC are exempt from taxes on income other than unrelated business income. No provision for income taxes were required for June 30, 2018 and 2017, respectively. However, tax years ended June 30, 2015 through 2017 remain open to examination by the taxing jurisdictions to which the School and CCC are subject, and they have not been extended beyond the applicable statute of limitations.

CCC-SGC is a title-holding organization, exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes is required for 2018 or 2017.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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**2. Summary of Significant Accounting Policies (continued)**

Uncertainty in Income Taxes

The School has a process in place to ensure the maintenance of its exempt-status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through November 27, 2018, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

**3. Investments**

Investments consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 146,845	\$ 47,772
Certificates of deposit	3,170,000	3,100,054
Exchange traded and closed-end funds	2,532,650	-
Common stocks	999,075	-
Corporate bonds	558,910	-
Government securities	987,123	-
Mutual funds	<u>2,759,240</u>	<u>-</u>
 Total investments	 <u>\$ 11,153,843</u>	 <u>\$ 3,147,826</u>

Investments are reported at fair values at year-end. See Note 12 for a discussion of fair value measurements. Such investments are subject to market risks, and their values fluctuate daily.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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**3. Investments (continued)**

The following schedule summarizes the investment return included in the statements of activities for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 161,471	\$ 60,925
Net realized and unrealized losses	<u>(125,022)</u>	<u>(37,660)</u>
Sub-total	36,449	23,265
Less: investment fees	<u>(30,430)</u>	<u>-</u>
Investment return, net	<u>\$ 6,019</u>	<u>\$ 23,265</u>

**4. Property and Equipment**

The following summarizes property and equipment by major asset categories as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,082,852	\$ 2,082,852
Leasehold improvements	39,726,162	39,249,030
Computers and software	3,113,196	3,095,108
Furniture and fixtures	1,285,617	1,251,863
Equipment	2,248,012	2,212,232
Capital leased equipment	81,315	81,315
Vehicles	<u>512,316</u>	<u>512,316</u>
Total	49,049,470	48,484,716
Less: accumulated depreciation and amortization	<u>(21,858,491)</u>	<u>(19,614,537)</u>
Property and equipment, net	<u>\$ 27,190,979</u>	<u>\$ 28,870,179</u>

The School and CCC have capitalized costs for leasehold improvements at the Harvard and V Street locations (Note 4). The capitalized balance as of June 30, 2018 and 2017, were \$11,259,921 and \$11,197,629, respectively, and is being amortized as discussed in Note 2.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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**4. Property and Equipment (continued)**

Sonia Gutierrez Campus Property

During December 2011, CCC purchased land for approximately \$2 million and title to the property was transferred to CCC-SGC during 2013. The parcel of land was developed as an additional campus to be leased by the Carlos Rosario International Public Charter School and a non-related entity (Note 7). The development costs, including furniture and fixtures, were approximately \$19 million. The land acquisition has been financed by a grant totaling \$2.2 million from the District of Columbia's Office of the State Superintendent of Education (OSSE). A certificate of occupancy was obtained in September 2013.

The construction and equipment purchase were financed by Bank of America through a qualified equity investment, under the New Market Tax Credit Program between CCC-SGC and the lenders Banc of America CDE V LLC and ESIC New Market Partners Limited Partnership (Note 8).

Total depreciation and amortization expense for the years ended June 30, 2018 and 2017 were \$2,253,554 and \$2,305,050, respectively.

**5. Notes Receivable**

On October 1, 2013, CCC entered into a promissory note with the unrelated party who is subleasing space on the V Street campus for \$976,638 to finance kitchen equipment purchases. The term of the note is five years with an interest of 4.87% per annum. The minimum commitments to be collected under the agreement is \$54,672 through June 30, 2019.

**6. Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Student scholarships	\$ 103,083	\$ 56,206
IME BECAS - Scholarship	<u>9,790</u>	<u>10,540</u>
Temporarily restricted net assets	<u>\$ 112,873</u>	<u>\$ 66,746</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
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**7. Commitments and Contingencies**

Operating Lease – Harvard Street

CCC has a long-term lease agreement with the District of Columbia for property that required substantial building improvements (Note 4). The lease commenced in July 2001 and expires in 2021. Future minimum payments under this non-cancelable operating lease are as follows:

Year ending June 30, 2019	\$	70,000
2020		70,000
2021		70,000
2022		5,833
Total	\$	215,833

CCC has, in turn, sublet office and classroom space in this building to the School. Rental expense under this operating lease for both years ended June 30, 2018 and 2017, was \$70,000.

Sonia Gutierrez Campus

On October 12, 2012, CCC signed a sublease agreement with the School for classroom and office space developed at V Street for a period of twenty-five years commencing on the delivery date, which is the date the certificate of occupancy was issued. The sublease has been accounted for as a capital lease. Under the sublease terms, the School started paying rent to CCC in October 2013.

On October 31, 2012, CCC signed a sublease agreement with an unrelated party for office and cafeteria space developed at V Street for non-exclusive use in common with other tenants for a period of fifteen years commencing on the delivery date, which is the date the certificate of occupancy was issued. Under the sublease terms, the entity started paying rent the first day of the first month following the delivery date.

This operating sublease (Sonia Gutierrez Campus) calls for monthly rent with annual increases until the expiration of the sublease. The total lease payments are recorded as rental income on a straight-line basis over the lease period, which results in a deferred rent asset. The deferred rent balance as of June 30, 2018 and 2017, totaled \$366,033 and \$313,961. Rental income for the years ended June 30, 2018 and 2017 was \$1,727,284 and \$1,677,517, respectively.



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**7. Commitments and Contingencies (continued)**

The minimum commitments to be collected under the V Street non-cancelable operating sublease are as follows:

Year ending June 30, 2019	\$	489,000
2020		503,000
2021		519,000
2022		534,000
2023		550,000
2024 and thereafter		<u>3,169,000</u>
Total	\$	<u>5,764,000</u>

Employment Contract

The School has an employment contract with its Chief Executive Officer, which provides for future payments as services are rendered. The agreement is for a five-year period ending on August 1, 2019.

**8. Long Term Liabilities**

Bond Payable

On June 13, 2002, CCC issued a \$9,300,000 Revenue Bond through the District of Columbia Pooled Loan Program Revenue Bond, Series A, to finance the renovation and construction of its leased facility. The bond was payable over 20 years with principal payments specified by the bond debt service schedule. The Revenue Bond was fully paid in August 2013, with the proceeds of a term loan from Bank of America, discussed below.

The bond had a floating interest rate, as established weekly by the remarketing agent, based on the London Inter-Bank Offer Rate (LIBOR). However, CCC has entered into an interest rate swap agreement discussed below. Interest expense related to the interest rate swap was \$139,879 and \$211,607, for the years ended June 30, 2018 and 2017, respectively, before adjustment to a fair value as discussed below.

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**8. Long Term Liabilities (continued)**

Interest Rate Swap

CCC entered into an interest rate swap agreement through Bank of America to reduce the impact of market changes in the variable interest rate for the original bond financing. The agreement effectively changed CCC's interest rate exposure on the floating rate notes to a fixed rate of 4.79%. The interest rate swap agreement matures in 2023. CCC's credit risk is limited to the fair market value of the interest rate swap liability, which totaled \$269,501 and \$455,244 at June 30, 2018 and 2017, respectively. The interest rate swap is reported at fair value at year-end using a Level 2 input discussed in Note 12.

The difference to be paid or received varies as short-term interest rates change and is recognized separately as a change in unrestricted net assets on the statement of activities. The amount recorded as an increase to unrestricted net assets for the years ended June 30, 2018 and 2017, was \$185,743 and \$259,119, respectively.

Harvard Street Refinance

On August 1, 2013, CCC entered into a ten-year term loan agreement for \$6,107,104 with Bank of America with respect to the Harvard Street campus. The proceeds of the term-loan were used to pay off the bond payable described above. The first payment was due on September 1, 2013 and matures on August 1, 2023. The loan bears a floating interest rate equal to the LIBOR Daily Floating Rate plus one hundred seventy-five basis points per annum (the floating rate) (2.77% in 2018). Under the terms of the loan, the interest rate swap agreement is to remain in effect.

The term loan requires the School to comply with certain financial covenants. The School has met such covenants as June 30, 2018 and 2017. The outstanding balance of the term loan as of June 30, 2018 and 2017 were \$3,643,725 and \$4,218,578, respectively. Interest expense related to the ten-year term loan totaled \$128,653 and \$111,071 for the years ended June 30, 2018 and 2017.

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**8. Long Term Liabilities (continued)**

Financing under the New Market Tax Credit Program

On October 31, 2013, CCC-SGC entered into a master loan and disbursement agreement with Bank of America CDE V, LLC, a North Carolina limited liability company (BOA CDE) and ESIC New Markets Partners Limited Partnership, a Maryland limited partnership (ESIC CDE) (collectively referred to as the lenders), to fund the development and construction of the Sonia Gutierrez Campus (Note 8). All proceeds from said loans were deposited into a NMTC loan disbursement account pursuant to periodic draw requests approved by Bank of America (the Agent).

Bank of America N.A., in its capacity as senior leverage lender, has made a leverage loan in the principal amount of \$8,443,200 to the Bank of America Investment Fund. Further, CCC made a leverage loan in the principal amount of \$3,518,000, known as the junior leverage loan, and Banc of America CDE V, LLC has made capital contributions to Bank of America Investment Fund in an aggregate amount of \$5,038,800. Bank of America Investment Fund has been admitted as a member of Bank of America CDE V, LLC, a North Carolina limited liability company, and in consideration of such admission has contributed all of the equity funds, together with the proceeds of the junior leverage loan and the senior leverage loan to the capital of BOA CDE. In turn, CCC-SGC has signed an agreement with Banc of America CDE V LLC (lender), for the above loans known as BOA CDE loans.

Merrill Lynch NMTC Corporation (ML NMTC Lender) has made certain loans in an aggregate principal amount equal to \$4,467,748 (collectively, the ML Upper Tier QLICI Loan) pursuant to a certain loan agreement by and between ML NMTC Lender and ESIC New Markets Partners Limited Partnership. In turn, CCC-SGC has signed an agreement with ESIC New Markets Partners Limited Partnership (lender), for the above loans known as ESIC CDE loans.

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**8. Long Term Liabilities (continued)**

The terms of the loans at June 30, 2018, are as follows:

BOA CDE Loan A. (Above senior leverage loan of \$8,443,200). Interest is accrued monthly starting on January 15, 2013, at an interest rate of 4.34%. Principal payments are due quarterly through the maturity date of October 31, 2044.	\$ 8,443,200
BOA CDE Loan B. (Above Banc of America CDE capital contribution of \$5,038,800). Interest is accrued monthly starting on January 15, 2013, at an interest rate of .5%. Principal payments are due quarterly through the maturity date of October 31, 2044.	5,038,800
BOA CDE Loan C. (Above CCC junior leverage loan to Bank of America Investment Fund of \$3,518,000). Interest is accrued monthly starting on January 15, 2013, at an interest rate of 1.0%. Principal payments are due quarterly through the maturity date of October 31, 2044.	3,518,000
ESIC CDE Loan A for \$3,941,538. Interest is accrued monthly starting on January 15, 2013, at an interest rate of 4.34%. Principal payments are due quarterly through the maturity date of October 31, 2044.	3,212,177
ESIC CDE Loan B for \$526,210. Interest is accrued monthly starting on January 15, 2013, at an interest rate of .5%. Principal payments are due quarterly through the maturity date of October 31, 2044.	<u>526,210</u>
Total	<u><u>\$ 20,738,387</u></u>

The School and CCC have guaranteed the performance of the NMTC obligations. The obligation is secured, among other things, by the operating and subsidy payments and general revenues of the School and CCC. The borrower is subject to certain financial covenants starting six months after completion of construction. The borrower has passed the financial covenants.

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**8. Long Term Liabilities (continued)**

In addition to the aforementioned loans, CCC-SGC entered into loans with Building Hope, a Charter School Facilities Fund, and the Office of Public Charter School Financing and Support (OPCSFS) for \$750,000 each.

The terms of the loans and outstanding balances at June 30, 2018, are as follows:

Building Hope, a Charter School Facilities Fund loan, for \$750,000. Interest is paid quarterly in arrears on the first day of each month for twelve months. The interest rate of the loan is 6%. Principal payments will commence in October 2013, based on a twenty five year amortization schedule. A balloon payment is due on the maturity date of October 1, 2019. \$ 682,838

Office of Public Charter School Financing and Support loan for \$750,000. Interest is paid quarterly in arrears on the first day of each month for twelve months. The interest rate of the loan is 6%. Principal payments will commence in October 2013, based on a twenty five year amortization schedule. A balloon payment is due on the maturity date of October 1, 2019. 682,837

Total \$ 1,365,675

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**8. Long Term Liabilities (continued)**

The following summarized long-term debt, net of short-term debt and cost of issuance as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
NMTC program loans	\$ 20,738,387	\$ 20,965,147
Building Hope and OPCSFS	1,365,675	1,398,711
Bank of America term loan	<u>3,643,725</u>	<u>4,218,578</u>
Total notes payable	25,747,787	26,582,436
Less: cost of issuance	<u>629,105</u>	<u>661,556</u>
Subtotal	25,118,682	25,920,880
Less: current portion notes payable, net of current portion of cost of issuance of \$32,452 for each of the years ending June 30, 2018 and 2017	<u>859,026</u>	<u>802,196</u>
Non-current note payable, net of cost of issuance of \$596,653 and \$629,105 at June 30, 2018 and 2017, respectively	<u>\$ 24,259,656</u>	<u>\$ 25,118,684</u>

The following summarizes future maturities of long-term debt as of June 30, 2018:

Year ending June 30, 2019	\$ 891,388
2020	2,406,547
2021	1,295,332
2022	1,355,970
2023	1,420,267
2024 and thereafter	<u>18,378,283</u>
Total	<u>\$ 25,747,787</u>

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**9. Donated Services**

During the years ended June 30, 2018 and 2017, the School received pro-bono legal services valued at \$16,403 and \$43,619, respectively. This amount is reflected as revenue and expense in the accompanying consolidated financial statements.

**10. Retirement Plans**

The School adopted a 401(k) Plan effective August 15, 2013 and CCC adopted a 401(k) Plan effective July 1, 2015, for the benefit of all employees over 21 years of age, who have completed six months of service working 17.5 hours weekly (which is equal to 408 hours for six months). The Plans provide for a salary deferral options (pre-tax and Roth), discretionary matching contributions, and a safe harbor non-elective contribution of 3% of employees' compensation. The matching contribution is 300% of the first 1% employees contribute from their compensation. Participants are immediately vested in all contributions.

The School's 401(k) Plan replaced a formerly sponsored 403(b) Plan. Participants have the option to rollover assets to the 401(k) Plan or to convert their accounts into an IRA. The School plans to terminate the 403(b) Plan when all assets are distributed.

The School's pension expense under both Plans for the years ended June 30, 2018 and 2017, totaled \$806,899 and \$733,545, respectively.

The School sponsors a nonqualified deferred compensation plan under Internal Revenue Code Section 457(b) of the Internal Revenue Code. Funds are invested in certain money market funds and are included with other assets and other liabilities in the accompanying statement of financial position. The School's obligation is limited to the market value of the invested funds which was \$241,120 and \$214,511 at June 30, 2018 and 2017, respectively.

The School also sponsors a nonqualified deferred compensation plan under Internal Revenue Code Section 457(f) of the Internal Revenue Code. Funds are invested in certain money market funds and are included with other assets and other liabilities in the accompanying statement of financial position. The School's obligation is limited to the market value of the invested funds which was \$48,619 and \$81,639 at June 30, 2018 and 2017, respectively.

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**11. Postretirement Benefits – Healthcare and Dental**

In addition to providing pension benefits in fiscal year 2015, the School adopted a voluntary early retirement incentive program for the benefit of the Carlos Rosario International Charter School employees only.

The program will permit eligible employees, who desire to retire following the attainment of age sixty-two but prior to the attainment of age sixty-five, an opportunity to continue to receive medical insurance from the School for a specified period of time, at the same rate and level provided to actively employed employees of the School. In order to be eligible to participate, the employee must have reached the age of 62, have been enrolled in one of the three medical plans offered by the School for at least five years, and have 15 years of full time employment with the School. Surviving spouses are not covered.

The Plan's fiscal year-end and the Plan's valuation are June 30. The School has not contributed to the postretirement benefit plan in fiscal year 2018 or 2017, the Plan is currently unfunded. There were no benefits paid by the Trust during the years ended June 30, 2018 and 2017. A summary of the net periodic postretirement benefit costs for the years ended June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Service cost	\$ 35,920	\$ 37,927
Interest cost	<u>12,781</u>	<u>11,812</u>
Net periodic postretirement benefit cost	<u>\$ 48,701</u>	<u>\$ 49,739</u>

The following table sets forth the financial status of the plan for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accumulated postretirement benefit obligation (APBO):		
Active participants fully eligible	\$ (26,095)	\$ (26,276)
Active participants not fully eligible	(340,161)	(314,731)
Inactive participants	<u>-</u>	<u>(9,898)</u>
Total APBO	(366,256)	(350,905)
Plan assets at fair value	<u>-</u>	<u>-</u>
Accrued postretirement benefit cost unfunded	<u>\$ (366,256)</u>	<u>\$ (350,905)</u>



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**11. Postretirement Benefits - Healthcare and Dental (continued)**

The weighted average discount rate used to determine the APBO was 3.40% and 4.20% at June 30, 2018 and 2017, respectively, and the long-term inflation rate was 4.50% in 2018 and 2017. For measurement purposes, assumed healthcare cost trend rates of 7% in 2018 were used, trending down to 4.50%. This rate should be achieved in 2026.

If the assumed healthcare cost trend rate were increased by 1 percentage point, the rates would increase the aggregate of interest and service cost components of the NPPBC by 14.5% or \$7,212. The APBO as of June 30, 2018, would increase 11.5% or \$40,354.

If the assumed healthcare cost trend rate were decreased by 1 percentage point, the rates would decrease the aggregate of interest and service cost components of the NPPBC by 12.2% or \$6,068. The APBO as of June 30, 2018, would decrease 9.9% or \$34,740.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten fiscal years:

Years ending June 30, 2019	\$	10,080
2020		21,030
2021		16,741
2022		12,794
2023		11,028
2024-2028		<u>129,329</u>
	\$	<u><u>201,002</u></u>

**12. Fair Value Measurements**

The School reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that the School has the ability to access.

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**12. Fair Value Measurements (continued)**

- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the years ended June 30, 2018 and 2017, there were no significant transfers in or out of levels 1, 2 or 3.

Following is a description of the valuation methodologies used for investments measured at fair value and their classification in the valuation hierarchy:

The value of liability of the *interest rate swap*, discussed in Note 8, is calculated using models based on market parameters for all substantial terms of the contract provided by Bank of America. The swap is classified within Level 2 of the valuation hierarchy.

Investments in *money market* and *common stocks* (Note 3) are valued at the net asset value of shares held by the School at year end, which generally is \$1 per each unit held. Such securities are classified within Level 1 of the valuation hierarchy.

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**12. Fair Value Measurements (continued)**

Investments in *mutual funds* (Note 3) are valued at the net asset value of shares of funds selected by the participants of the 457(b) and 457(f) plans (Note 11) as reported at year-end in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

Investments in *certificates of deposit* and *corporate bonds* (Note 3 and 11) are valued by discounting the related cash flows based on current yields of similar instruments with comparable derivatives considering the creditworthiness of the issuer. Such securities are classified within Level 2 of the valuation hierarchy.

Investments in *U.S. Government securities* (Note 3) are valued using the latest bid process and significant inputs, including benchmarking yields, broker-dealer quotes, issuer spreads, and measures of volatility provided by independent pricing services, and classified within level 2.

There were no transfers in and out of the three levels of the valuation hierarchy.

The following summarizes information about the fair value measurements used as June 30, 2018:

<u>2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds	\$ 146,846	\$ 146,846	\$ -
Certificates of deposit	3,170,000	-	3,170,000
Exchange traded and closed-end funds	2,532,650	2,532,650	-
Common stocks	999,075	999,075	-
Corporate bonds	558,910	-	558,910
Government securities	987,123	-	987,123
Mutual funds	<u>2,759,239</u>	<u>2,759,239</u>	<u>-</u>
Total investments (Note 2)	11,153,843	6,437,810	4,716,033
Mutual funds - other assets			
457(b) and 457(f) plans	<u>289,739</u>	<u>289,739</u>	<u>-</u>
Total	<u>\$ 11,443,582</u>	<u>\$ 6,727,549</u>	<u>\$ 4,716,033</u>

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**12. Fair Value Measurements (continued)**

The following summarizes information about the fair value measurements used as June 30, 2017:

	<u>2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds (Note 2)	\$	2,582,356	\$ 2,582,356	\$ -
Certificates of deposit (Note 2)		3,147,826	-	3,147,826
Mutual funds - other assets 457(b) and 457(f) plans		<u>296,150</u>	<u>296,150</u>	<u>-</u>
Total	\$	<u><u>6,026,332</u></u>	\$ <u><u>2,878,506</u></u>	\$ <u><u>3,147,826</u></u>

**13. Supplemental Cash Flow Information**

Cash paid during the years ended June 30, 2018 and 2017 for interest totaled \$924,949 and \$952,731, respectively. Non-cash donated services received during the years 2018 and 2017, were \$16,403 and \$43,619, respectively.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATED SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2018**

	Educational Programs	Rental Operation	Community Outreach	General and Administrative	Fundraising	Total
<b>PERSONNEL SALARIES AND BENEFITS</b>						
Salaries	\$ 12,196,877	\$ 820,046	\$ -	\$ 1,817,318	\$ -	\$ 14,834,241
Employee benefits	2,847,849	211,633	-	500,969	-	3,560,451
Contract staff	5,412	-	-	83,510	-	88,922
Professional development	164,573	2,386	-	71,153	-	238,112
Total personnel, salaries and benefits	<u>15,214,711</u>	<u>1,034,065</u>	<u>-</u>	<u>2,472,950</u>	<u>-</u>	<u>18,721,726</u>
<b>DIRECT STUDENT COSTS</b>						
Supplies and materials	292,297	-	152	-	49	292,498
Transportation	74,804	-	-	-	-	74,804
Contracted instruction fees	24,269	-	-	-	-	24,269
Student assessments	14,646	-	-	-	-	14,646
Food service/workforce program	356,814	-	-	378	407	357,599
Other student costs	116,573	-	-	-	-	116,573
Total direct student costs	<u>879,403</u>	<u>-</u>	<u>152</u>	<u>378</u>	<u>456</u>	<u>880,389</u>
<b>OCCUPANCY EXPENSES</b>						
Rent	-	73,680	-	639	-	74,319
Interest expense (facilities)	12,704	713,397	-	20,248	-	746,349
Depreciation and amortization (facilities)	986,723	519,627	-	55,096	-	1,561,446
Building maintenance and repairs	676	386,327	-	6,993	-	393,996
Utilities	-	560,658	-	4,863	-	565,521
Contracted building services	359,343	780,842	-	51,326	-	1,191,511
Other occupancy	-	9,867	-	519	-	10,386
Total occupancy expenses	<u>1,359,446</u>	<u>3,044,398</u>	<u>-</u>	<u>139,684</u>	<u>-</u>	<u>4,543,528</u>
<b>GENERAL AND ADMINISTRATIVE</b>						
Office supplies and materials	86,611	10,156	-	11,976	25	108,768
Office equipment rental and maintenance	23,625	-	-	6,004	-	29,629
Software and equipment rental	446,616	-	-	108,332	98	555,046
Telephone and telecommunications	321,332	21,733	-	15,444	-	358,509
Professional fees	54,872	17,297	-	205,575	-	277,744
Insurance	133,897	78,914	-	23,435	-	236,246
Administration fee	221,054	-	-	27,341	-	248,395
Depreciation and amortization	358,199	276,265	5,882	33,769	-	674,115
Other general expense	435,006	73,601	-	375,691	122,874	1,007,172
Total general and administrative expenses	<u>2,081,212</u>	<u>477,966</u>	<u>5,882</u>	<u>807,567</u>	<u>122,997</u>	<u>3,495,624</u>
<b>TOTAL EXPENSES</b>	<u>\$ 19,534,772</u>	<u>\$ 4,556,429</u>	<u>\$ 6,034</u>	<u>\$ 3,420,579</u>	<u>\$ 123,453</u>	<u>\$ 27,641,267</u>

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATED SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2017**

	Educational Programs	Rental Operations	General and Administrative	Fundraising	Total
<b>PERSONNEL SALARIES AND BENEFITS</b>					
Salaries	\$ 10,882,976	\$ 788,191	\$ 1,765,851	\$ -	\$ 13,437,018
Employee benefits	2,617,160	203,568	451,118	-	3,271,846
Contract staff	2,899	-	18,893	-	21,792
Professional development	172,175	1,503	68,550	-	242,228
Total personnel, salaries and benefits	<u>13,675,210</u>	<u>993,262</u>	<u>2,304,412</u>	<u>-</u>	<u>16,972,884</u>
<b>DIRECT STUDENT COSTS</b>					
Supplies and materials	272,226	-	-	-	272,226
Transportation	74,998	-	-	-	74,998
Contracted instruction fees	38,136	-	-	-	38,136
Student assessments	28,725	-	-	-	28,725
Food service/workforce program	332,241	-	-	-	332,241
Other student costs	73,075	-	-	-	73,075
Total direct student costs	<u>819,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,401</u>
<b>OCCUPANCY EXPENSES</b>					
Rent	-	69,395	601	-	69,996
Interest expense (facilities)	-	868,374	72,375	-	940,749
Depreciation and amortization (facilities)	539,798	840,851	-	-	1,380,649
Building maintenance and repairs	14,619	412,873	1,223	-	428,715
Utilities	-	521,330	2,757	-	524,087
Contracted building services	325,471	747,555	47,225	-	1,120,251
Other occupancy	-	33,619	44	-	33,663
Total occupancy expenses	<u>879,888</u>	<u>3,493,997</u>	<u>124,225</u>	<u>-</u>	<u>4,498,110</u>
<b>GENERAL AND ADMINISTRATIVE</b>					
Office supplies and materials	198,270	4,650	20,247	1,497	224,664
Software and equipment rental	429,437	-	89,034	-	518,471
Telephone and telecommunications	226,933	19,731	20,919	-	267,583
Professional fees	260,576	45,837	319,913	150	626,476
Insurance	125,164	91,031	18,957	-	235,152
Administration fee	224,876	-	30,217	-	255,093
Depreciation and amortization	830,718	-	93,683	-	924,401
Other general expense	215,013	43,714	168,479	112,842	540,048
Total general and administrative expenses	<u>2,510,987</u>	<u>204,963</u>	<u>761,449</u>	<u>114,489</u>	<u>3,591,888</u>
<b>TOTAL EXPENSES</b>	<u>\$ 17,885,486</u>	<u>\$ 4,692,222</u>	<u>\$ 3,190,086</u>	<u>\$ 114,489</u>	<u>\$ 25,882,283</u>

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATING SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION**

**June 30, 2018**

	CRCS	CCC CCC-SGC	Eliminations	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents				
Unrestricted	\$ 4,830,948	\$ 8,662,046	\$ 304,775	\$ 13,797,769
Restricted	-	304,775	(304,775)	-
	<u>4,830,948</u>	<u>8,966,821</u>	<u>-</u>	<u>13,797,769</u>
Due from related party	-	77,207	(77,207)	-
Grant and other receivables	63,569	-	-	63,569
Current portion of notes receivable	-	54,673	-	54,673
Prepaid and other	262,648	355,734	(8,000)	610,382
Current portion of net investment in direct financing lease	-	148,823	(148,823)	-
	<u>5,157,165</u>	<u>9,603,258</u>	<u>(234,030)</u>	<u>14,526,393</u>
Total current assets				
Investments	11,153,843	-	-	11,153,843
Note receivable	-	3,518,000	-	3,518,000
Property and equipment, net	20,880,358	5,692,914	617,707	27,190,979
Deferred rent receivable	-	2,043,175	(1,677,142)	366,033
Facility repair and improvements reserve fund	304,775	-	(304,775)	-
Other assets	289,739	-	-	289,739
Non-current portion of net investment in direct financing lease	-	12,757,020	(12,757,020)	-
Deposits	127,440	-	(127,440)	-
	<u>127,440</u>	<u>-</u>	<u>(127,440)</u>	<u>-</u>
Total assets	<u>\$ 37,913,320</u>	<u>\$ 33,614,367</u>	<u>\$ (14,482,700)</u>	<u>\$ 57,044,987</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable and other accruals	\$ 276,324	\$ 339,746	\$ (8,000)	\$ 608,070
Accrued salaries and related expenses	1,573,269	142,018	-	1,715,287
Due to related party	77,207	-	(77,207)	-
Current portion of notes payable, net	-	859,026	-	859,026
Current portion of capital lease obligations	148,823	-	(148,823)	-
	<u>2,075,623</u>	<u>1,340,790</u>	<u>(234,030)</u>	<u>3,182,383</u>
Total current liabilities				
Interest rate swap liability	-	269,501	-	269,501
Accrued postretirement benefit	366,256	-	-	366,256
Deposits	-	156,997	(127,440)	29,557
Facility repair and improvements reserve fund	-	304,775	(304,775)	-
Deferred rent	1,677,142	-	(1,677,142)	-
Non-current portion of notes payable, net	-	24,259,656	-	24,259,656
Non-current portion of capital lease obligations	12,757,020	-	(12,757,020)	-
	<u>16,876,041</u>	<u>26,331,719</u>	<u>(15,100,407)</u>	<u>28,107,353</u>
Total liabilities				
Net assets				
Unrestricted	20,924,406	7,282,648	617,707	28,824,761
Temporarily restricted	112,873	-	-	112,873
	<u>21,037,279</u>	<u>7,282,648</u>	<u>617,707</u>	<u>28,937,634</u>
Total net assets				
Total liabilities and net assets	<u>\$ 37,913,320</u>	<u>\$ 33,614,367</u>	<u>\$ (14,482,700)</u>	<u>\$ 57,044,987</u>

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

	<u>CRCS</u>	<u>CCC CCC-SGC</u>	<u>Eliminations</u>	<u>Total</u>
Revenue and support				
Charter per pupil allotment				
Regular	\$ 20,215,075	\$ -	\$ -	\$ 20,215,075
Facilities	6,704,728	-	-	6,704,728
	<u>26,919,803</u>	<u>-</u>	<u>-</u>	<u>26,919,803</u>
Grants and contributions				
Federal grants	119,784	-	-	119,784
State grants	16,000	16,000	(16,000)	16,000
Contributions	100,452	-	-	100,452
In-kind support	16,403	-	-	16,403
	<u>252,639</u>	<u>-</u>	<u>-</u>	<u>252,639</u>
Program service - rental income	-	5,546,046	(4,813,979)	732,067
Culinary arts sales	453,943	-	-	453,943
Other income	311,749	44,040	(136,000)	219,789
Net assets released from restrictions	92,448	-	-	92,448
	<u>28,030,582</u>	<u>5,590,086</u>	<u>(4,949,979)</u>	<u>28,670,689</u>
Total revenue and support				
Expenses				
Educational programs	24,170,480	-	(4,635,708)	19,534,772
Program services - rental operations	-	4,556,429	-	4,556,429
Community Outreach	6,034	-	-	6,034
General and administrative	3,070,483	825,309	(475,213)	3,420,579
Fundraising	123,453	-	-	123,453
	<u>27,370,450</u>	<u>5,381,738</u>	<u>(5,110,921)</u>	<u>27,641,267</u>
Total expenses				
Increase in unrestricted net assets from operations	660,132	208,348	160,942	1,029,422
Non-operating activity				
Investment return, net	6,019	-	-	6,019
Increase in unrestricted net assets	666,151	208,348	160,942	1,035,441
Changes in temporarily restricted net assets				
Contributions	138,575	-	-	138,575
Net assets released from restrictions	(92,448)	-	-	(92,448)
Increase in temporarily restricted net assets	46,127	-	-	46,127
Non-operating activity				
Change in interest rate swap liability, net	-	185,743	-	185,743
Change in net assets	712,278	394,091	160,942	1,267,311
Net assets, beginning of year	20,325,001	6,888,557	456,765	27,670,323
Net assets, end of year	<u>\$ 21,037,279</u>	<u>\$ 7,282,648</u>	<u>\$ 617,707</u>	<u>\$ 28,937,634</u>



**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES**  
**SUPPLEMENTAL SCHEDULE OF VENDOR PAYMENTS OVER \$25,000**  
**Year Ended June 30, 2018**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Invoiced</u>
Community Capital Corporation	Lease and Rent of Harvard St & Vst Facilities	\$ 5,310,430
Crawford Advisors, LLC	Health, Dental and Ancillary Insurance	\$ 1,584,625
VOYA	Employer Retirement Plan Contributions	\$ 738,878
PNC	School Credit Card; Various payment to vendors	\$ 617,306
DC Public Charter School Board	FY 2018 Admin Fee	\$ 248,394
The Hanover Insurance Group	Worker's Compensation & General Liability Insurance	\$ 224,047
Proactive School	School SIS system	\$ 155,144
US Foods	Food Purchases	\$ 118,598
AT&T Mobility	Mobile Phones and Tablet Data	\$ 115,980
NonProfit HR	Interim HR Services	\$ 83,510
ADP, LLC	Payroll & HRIS Systems	\$ 79,668
Capitol Document Solutions	Copier & Printing	\$ 76,275
Saval Food Service	Food Purchases	\$ 59,797
Verizon	Telephone & Data Services	\$ 82,884
Cogent Communications, Inc.	Telephone & Data Services	\$ 53,316
Colonial Parking, Inc.	Monthly Employee & Student Parking for SG Facility	\$ 49,762
American Express	School Credit Card; Various payment to vendors	\$ 49,493
Achieve 3000, Inc.	Software Program	\$ 48,865
Rubino & Company, Chartered	Audit Services	\$ 47,835
WIPFLi LLP	Accounting System & Support Services	\$ 42,001
Jani-King of Washington DC	Kitchen Cleaning Services	\$ 40,467
Belair Produce, Inc.	Food Purchases	\$ 39,133
Adams Burch	Food Purchases	\$ 36,963
Tempo Book	Textbooks	\$ 35,349
Advanced Network Systems, Inc.	IT Infratstructure Equipment	\$ 33,499
University of the District of Columbia	Student Scholarships	\$ 33,083
AFLAC	Employee Paid Supplemental Insurance	\$ 31,322
FOODPRO	Food Purchases	\$ 30,535
Supply Line	Toner & Printer Services	\$ 30,531
Host Analytics, Inc.	FP&A Systems and Support	\$ 29,390
Arent Fox LLP	Legal Services	\$ 28,258
Keany Produce Co.	Food Purchases	\$ 27,993

**INDEPENDENT AUDITORS' 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 Trustees of  
Carlos Rosario International Public Charter School

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 consolidated financial statements of the Carlos Rosario International Public Charter School and Affiliates (collectively referred to as the School), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 audits 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 the School's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style.

November 27, 2018  
Bethesda, Maryland

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
AND AFFILIATES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of the Carlos Rosario International Public Charter School.
2. No significant deficiencies or material weaknesses related to the internal control of the Carlos Rosario International Public Charter School in accordance with the District of Columbia School Reform Act, as Amended, were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of Carlos Rosario International Public Charter School were disclosed during the audit.

**B. AUDIT FINDINGS**

None reported.

**C. SUMMARY OF PRIOR AUDIT FINDINGS**

None reported.