CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL

STAND-ALONE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Carlos Rosario International Public Charter School

Report on the Stand-Alone Financial Statements

We have audited the accompanying stand-alone financial statements of the Carlos Rosario International Public Charter School (a nonprofit organization) which comprise the stand-alone statements of financial position as of June 30, 2018 and 2017, and the related stand-alone statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Stand-Alone Financial Statements

Management is responsible for the preparation and fair presentation of these stand-alone 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these stand-alone financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 stand-alone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the stand-alone 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 stand-alone 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 stand-alone 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 stand-alone financial statements referred to above present fairly, in all material respects, the financial position of the Carlos Rosario International Public Charter School 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 – Consolidated Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial position of the Carlos Rosario International Public Charter School and Affiliates as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended (none of which are presented herein), and we expressed an unmodified opinion on those consolidated financial statements. Such consolidated financial statements are the general-purpose financial statements of the Carlos Rosario International Public Charter School and Affiliates, and the stand-alone financial statements of the Carlos Rosario International Public Charter School presented herein are not a valid substitute for those consolidated financial statements.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the stand-alone financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the stand-alone 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 stand-alone 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 stand-alone financial statements as a whole.

Rubino & Company

November 27, 2018
Bethesda, Maryland

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL
(STAND-ALONE)
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,830,948	$ 13,122,788
Grant and other receivables	63,569	25,043
Prepaid expenses	262,648	152,580
Total current assets	5,157,165	13,300,411
Investments	11,153,843	3,147,826
Property and equipment, net	20,880,358	22,364,044
Facility repair and improvements reserve fund	304,775	304,775
Other assets	289,739	296,150
Deposits	127,440	127,440
Total assets	$ 37,913,320	$ 39,540,646
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accruals	276,324	$ 222,671
Accrued salaries and related expenses	1,573,269	1,478,341
Due to Community Capital Corporation	77,207	2,100,293
Current portion of capital lease obligations	148,823	140,476
Total current liabilities	2,075,623	3,941,781
Deferred rent	1,677,142	2,017,116
Capital lease obligations	12,757,020	12,905,843
Accrued postretirement benefit	366,256	350,905
Total liabilities	16,876,041	19,215,645
Net assets		
Unrestricted	20,924,406	20,258,255
Temporarily restricted	112,873	66,746
Total net assets	21,037,279	20,325,001
Total liabilities and net assets	$ 37,913,320	$ 39,540,646

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

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL
(STAND-ALONE)
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018	2017
Changes in unrestricted net assets		
Revenue and support		
Charter per pupil allotment		
Regular	$ 20,215,075	$ 18,186,668
Facilities	6,704,728	6,404,200
	26,919,803	24,590,868
Grants and contributions	252,639	219,435
Cafeteria sales	453,943	461,194
Student fees and other income	311,749	332,172
Total revenue and support	27,938,134	25,603,669
Net assets released from restrictions	92,448	107,787
Total revenue, support and other increases	28,030,582	25,711,456
Expenses		
Educational programs	24,170,480	22,483,014
Community outreach	6,034	-
General and administrative	3,070,483	2,919,417
Fundraising	123,453	114,489
Total expenses	27,370,450	25,516,920
Increase in unrestricted net assets from operations	660,132	194,536
Non-operating activity		
Investment return, net	6,019	23,265
Increase in unrestricted net assets	666,151	217,801
Changes in temporarily restricted net assets		
Contributions	138,575	70,882
Net assets released from restrictions	(92,448)	(107,787)
Increase (decrease) in temporarily restricted net assets	46,127	(36,905)
Change in net assets	712,278	180,896
Net assets, beginning of year	20,325,001	20,144,105
Net assets, end of year	$ 21,037,279	$ 20,325,001

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

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL
(STAND-ALONE)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 712,278	$ 180,896
Reconciling adjustments		
Depreciation and amortization	1,606,817	1,624,975
Net unrealized losses on investments	125,022	37,660
Changes in operating assets and liabilities		
Grant and other receivables	(38,526)	(23,954)
Prepaid expenses and other assets	(103,657)	257,145
Facility reserve fund	-	1,273,849
Accounts payable and other accruals	53,653	70,726
Accrued salaries and related expenses	94,928	(54,946)
Due to/from related parties	(2,085,378)	99,658
Accrued postretirement benefit	15,351	(2,401)
Deferred rent	(339,974)	(178,318)
Net cash provided by operating activities	40,514	3,285,290
Cash flows from investing activities		
Purchase of investments	(8,713,443)	(1,096,000)
Proceeds from investments	582,404	1,052,795
Purchase of property and equipment	(60,839)	(1,900,719)
Net cash used by investing activities	(8,191,878)	(1,943,924)
Cash flows from financing activities		
Payments on capital lease obligations	(140,476)	(133,272)
Net (decrease) increase in cash and cash equivalents	(8,291,840)	1,208,094
Cash and cash equivalents, beginning of year	13,122,788	11,942,634
Cash and cash equivalents, end of year	$ 4,830,948	$ 13,150,728

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

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. The School's enrollment for the school years 2018 and 2017, were approximately 2,100 and 2,050 students, respectively.

2. Summary of Significant Accounting Policies

Basis of Presentation

These statements present the stand-alone statements of financial position, activities, and cash flows of the School only. Separate consolidated financial statements have been issued for the School and Community Capital Corporation and its Affiliate. Reference should be made to these separate consolidated financial statements for the year ended June 30, 2018, which serve as the School's general-purpose financial statements and are intended to present the School's consolidated financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The School maintains 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 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.

Facility Reserve Funds

The facility reserve funds are segregated cash that the School is required to maintain under a contractual obligation to a related party (Note 5).

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 capitalizes 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 is 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.

2. Summary of Significant Accounting Policies (continued)

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. No such allowance was recorded for years ended June 30, 2018 and 2017.

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.

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.

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the programs have been summarized on a functional basis in the 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 other specific function but that provide for the overall support and direction of 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 is exempt from taxes on income other than unrelated business income. No provision for income taxes is required for either 2018 or 2017. Tax years ended June 30, 2015 through 2017 remain open to examination by the taxing jurisdictions to which the School is subject, and they have not been extended beyond the applicable statute of limitations.

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 stand-alone financial statements were available to be issued.

3. Investments

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

	2018	2017
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	2,759,240	-
Total investments	$ 11,153,843	$ 3,147,826

Investments are reported at fair values at year-end. See Note 11 for a discussion of fair value measurements. Such investments are subject to market risks, and their values fluctuate daily. Investment return consists of the following for the years ended June 30, 2018 and 2017:

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

4. Property and Equipment

The following summarizes property and equipment by major asset categories:

	2018	2017
Capital leased property	$ 17,514,350	$ 17,514,350
Leasehold improvements	11,259,921	11,197,629
Computers and software	3,113,196	3,095,108
Furniture and fixtures	800,283	766,529
Equipment	1,402,694	1,393,699
Capital leased equipment	81,315	81,315
Vehicles	481,533	481,533
Total	34,653,292	34,530,163
Less: accumulated depreciation and amortization	(13,772,934)	(12,166,119)
Property and equipment, net	$ 20,880,358	$ 22,364,044

Total depreciation and amortization expense for the years ended June 30, 2018 and 2017, was $1,606,817 and $1,624,975, respectively.

The School has capitalized costs for leasehold improvements at the Harvard Street and V Street locations. The capitalized balance as of June 30, 2018 and 2017 was $11,259,921 and $11,197,629, respectively, and is being amortized as discussed in Note 2. See Notes 5 and 7 for further information regarding the related party leases.

The School entered into a capital lease for classroom and office space with CCC. See Note 7 for further information regarding the lease agreement.

5. Related Party Transactions

Community Capital Corporation (CCC)

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.

5. Related Party Transactions (continued)

CCC has a long-term prime lease agreement with the District of Columbia to lease a property on Harvard Street that required substantial building improvements. The School, in turn, entered into a long-term sublease with CCC for office and classroom space in this property. The School is now the sole tenant of the Harvard Street campus.

The costs of the building improvements were originally financed by the issuance of a tax-exempt bond. The financing agreement supporting the bond required the School to guarantee CCC's financial obligations to the lending institution. This guarantee covered assets and contracts. In August 2013, CCC refinanced the Harvard Street property, entered into a new term-loan for $6,107,104 with Bank of America, and used its proceeds to pay off the tax-exempt bond balance. The School is the guarantor of the term-loan and is subject to certain financial covenants, with which the School is in compliance.

In addition, CCC led in the purchase, building, and development of the School's second campus, the Sonia Gutierrez Campus in Northeast DC. The School is the largest tenant of that building. As the leaseholder for the School's two campus buildings, CCC provides standard landlord facility services in addition to contracting with the School to provided expanded facility support services to the School. The School serves as a guarantor of the mortgages on those properties. The School also provides office support services to CCC through a management services agreement.

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

During December 2011, CCC purchased land for approximately $2 million, and the title to the property was transferred to CCC-SGC during 2013. The School entered into a long-term sublease agreement for classroom and office space for a term of twenty-five years. The lease has been accounted as a capital lease (Note 7). The land has been developed to build the Sonia Gutierrez campus as described above. The development costs, including furniture and fixtures, were approximately $21 million.

The land acquisition has been financed by a grant from the District of Columbia's Office of the State Superintendent of Education (OSSE). The construction and equipment purchase is being financed with Banc 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).

5. Related Party Transactions (continued)

CCC shares certain personnel, administrative, and equipment costs with the School. Beginning in 2016, CCC paid its own salaries and benefits and no longer shared labor costs with the School, except for one employee whose salary and fringe benefit expense is allocated based on actual time spent on each organization. The School also processes other payments for shared expenses and is reimbursed for such operating costs based on a cost sharing agreement that provides for a fixed monthly fee of $10,000. Total amounts received from CCC were $135,803 and $138,529 for years ended June 30, 2018 and 2017, respectively. The balance owed from CCC related to these expenses totaled $24,249 and $86,167 at June 30, 2018 and 2017, respectively.

During 2018 and 2017, the School incurred costs related to renovations and consulting and security expenses that were paid for by CCC. At June 30, 2018 and 2017, the School owed CCC $101,456 and $2,186,460, respectively, for these expenses. Cash payments for rent and capital leases paid to CCC totaled $5,294,430 and $4,946,593 for 2018 and 2017, respectively.

Consolidation

The accompanying stand-alone financial statements reflect only the activities and net assets of the School. Separate consolidated statements have been issued for the School and Community Capital Corporation and its Affiliate (Note 2.)

6. Net Assets

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

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

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

7. Commitments and Contingencies

Capital Leases

As mentioned in Notes 4 and 5, CCC-SGC has title to the Sonia Gutierrez Campus. On October 31, 2012, CCC-SGC closed the financing with proceeds from loans enhanced by federal new market tax credits amounting to approximately $21 million (Note 4). Under the master loan and disbursement agreement, the School has secured the debt with, among other things, the charter per pupil allotment and general revenues, subordinated only to the security interest of CCC as collateral for the School’s rent obligations. Starting six months after the completion of the building construction, the School was required to comply with additional financial covenants. The School is in compliance with the financial covenants at June 30, 2018 and 2017.

CCC-SGC entered into a master lease agreement with CCC on October 31, 2012, for 32 years in which CCC leases the building from CCC-SGC commencing on the delivery date, which was the date the certificate of occupancy was issued. In turn, the School signed a sublease agreement on October 12, 2012 with CCC for classroom and office space at the Sonia Gutierrez Campus for a period of twenty-five years commencing on the delivery date, which was the date the certificate of occupancy was issued. This sublease agreement replaced the build-to-suit master lease agreement signed on June 1, 2012 (Note 4). Complying with the sublease terms, the School started paying rent on October 1, 2013, at which time the sublease was accounted for as a capital lease.

In addition, the School has entered into lease agreements to finance certain equipment over periods ranging from 36 to 60 months. These lease agreements have been classified as capital leases which are generally accounted for as additions to property and equipment using lease financing.

7. Commitments and Contingencies (continued)

The following is a schedule of future minimum lease payments and interest as of June 30, 2018:

Year ending June 30, 2019	$	1,759,943
2020		1,812,743
2021		1,867,125
2022		1,923,139
2023		1,980,833
2024 and thereafter		38,723,757
Total minimum lease payments		48,067,540
Less: amount representing interest		(35,161,697)
Present value of minimum lease payments		12,905,843
Current portion of the obligation		(148,823)
Non-current portion of the obligation	$	12,757,020

Interest expense for the years ended June 30, 2018 and 2017, was $1,568,207 and $1,525,645, respectively. At June 30, 2018 and 2017, the book value of the capital lease assets is $14,146,637 and $14,847,211, respectively, net of accumulated amortization of $3,367,713 and $2,667,139, respectively.

Operating Leases

As described in Notes 4 and 5, the School entered into a long-term sublease agreement for classroom and office space at Harvard Street with CCC which expires in July 2021. During 2011, the School and CCC signed the fourth addendum to the commercial sublease. Among the modifications are provisions for increase in rentable square feet, rental of the parking lot, minimum annual escalation increases, and a provision for an additional rent-assessment fee known as the facility repair and improvement reserve assessment fee (the reserve fund). All terms and clauses of the master lease not amended by this addendum remained in full force.

Under the terms of the addendum, the School was initially required to pay $1,000,000 to CCC to maintain in the reserve fund to be used for building repairs and improvements. The addendum also requires CCC to conduct an environmental facility and building assessment study every three-years to determine the sufficiency of the reserve, which can be funded in a lump sum or quarterly.

7. Commitments and Contingencies (continued)

During 2017, $1,273,849 of the reserve was used towards renovations for the School. In 2018, there were no renovations made; therefore, the reserve fund value remained unchanged. The balance of the reserve fund as of June 30, 2018 and 2017 was $304,775, and is included in the accompanying statement of financial position as a non-current asset.

This lease calls for monthly rent with annual increases until the expiration of the lease effective July 2021. The total lease payments are recorded as rent expense on a straight-line basis over the lease period resulting in a deferred rent liability. The deferred rent balance at June 30, 2018 and 2017 totaled $1,677,142 and $2,017,116, respectively.

Rent expense for years ended June 30, 2018 and 2017, was $3,245,772 and $3,258,575, respectively.

Future minimum lease payments under operating leases are as follows:

Year ending June 30, 2019	$ 3,665,000
2020	3,765,000
2021	3,868,000
2022	331,000
Total	$ 11,629,000

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. Retirement Plans

The School adopted a 401(k) Plan effective August 15, 2013 for all employees over 21 years of age who have completed six months of service working 17.5 hours weekly or 408 hours during the six-month period. This is a plan with 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 pension expense for the years ended June 30, 2018 and 2017, totaled $747,598 and $678,647, respectively.

The 401(k) Plan replaced a formerly sponsored 403(b) Plan. Participants have the option to rollover the 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 sponsors a nonqualified deferred compensation plan under the Internal Revenue Code Section 457(b). Funds are invested in mutual funds and are included with other assets and other liabilities in the accompanying statements 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). Funds are invested in mutual funds and are included with other assets and other liabilities in the accompanying statements 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.

9. Postretirement Benefits – Healthcare and Dental

In addition to providing pension benefits, in fiscal year 2015, the School adopted a voluntary early retirement incentive program. 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 at the same rate and level provided to actively employed employees of the School. 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 years 2018 or 2017 and 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, are as follows:

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

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

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

9. Postretirement Benefits - Healthcare and Dental (continued)

The weighted average discount rate used to determine the APBO was 4.10% and 3.70% 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 by 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	129,329
Total	$ 201,002

10. Donated Services

In 2018 and 2017, the School received pro-bono legal services valued at $16,403 and $43,619, respectively. These amounts are reflected as revenue and expense in the accompanying financial statements.

11. 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.

- 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.

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

11. Fair Value Measurements (continued)

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.

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 7) 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 8) 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 of the valuation hierarchy.

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

2018	Total	Level 1	Level 2
Money market funds	$ 146,845	$ 146,845	$ -
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	2,759,240	2,759,240	-
Total investments (Note 2)	11,153,843	6,437,810	4,716,033
Mutual funds - other assets 457(b) and 457(f) plans	289,739	289,739	-
Total	$ 11,443,582	$ 6,727,549	$ 4,716,033

10. Fair Value Measurements (continued)

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

2017	Total	Level 1	Level 2
Money market funds cash equivalents (Note 2)	$ 2,582,356	$ 2,582,356	$ -
Certificates of deposit (Note 2)	3,147,826	-	3,147,826
Mutual funds 457(b) and 457(f) plans	296,150	296,150	-
Total	$ 6,026,332	$ 2,878,506	$ 3,147,826

11. Supplemental Cash Flow Information

Cash paid during the years 2018 and 2017 for interest was $1,568,534 and $1,525,711, respectively. Property financed through related party payable at June 30, 2018 totaled $62,292 (Note 5). Non-cash donated services received during the years 2018 and 2017, were $16,403 and $43,619, respectively.

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL
(STAND-ALONE)
SUPPLEMENTAL SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018 and 2017

	Educational Programs	Community Outreach	General and Administrative	Fundraising	2018 Total	Educational Programs	General and Administrative	Fundraising	2017 Total
PERSONNEL SALARIES AND BENEFITS									
Salaries	$ 12,196,877	$ -	$ 1,508,550	$ -	$ 13,705,427	$ 10,882,976	$ 1,462,375	$ -	$ 12,345,351
Employee benefits	2,847,849	-	403,754	-	3,251,603	2,617,160	372,737	-	2,989,897
Contracted staff	5,412	-	83,510	-	88,922	2,899	18,893	-	21,792
Professional development	164,573	-	67,581	-	232,154	172,175	61,420	-	233,595
Total personnel, salaries and benefits	15,214,711	-	2,063,395	-	17,278,106	13,675,210	1,915,425	-	15,590,635
DIRECT STUDENT COSTS									
Supplies and materials	292,297	152	-	49	292,498	272,226	-	-	272,226
Transportation	74,804	-	-	-	74,804	74,998	-	-	74,998
Contracted instruction fees	24,269	-	-	-	24,269	38,136	-	-	38,136
Student assessments	14,646	-	-	-	14,646	28,725	-	-	28,725
Food service/workforce program	356,814	-	378	407	357,599	332,241	-	-	332,241
Other student costs	116,573	-	-	-	116,573	73,075	-	-	73,075
Total direct student costs	879,403	152	378	456	880,389	819,401	-	-	819,401
OCCUPANCY EXPENSES									
Rent	2,890,559	-	355,213	-	3,245,772	2,911,107	347,468	-	3,258,575
Maintenance and repairs	676	-	6,993	-	7,669	14,619	-	-	14,619
Contracted building services	359,343	-	44,423	-	403,766	325,471	43,726	-	369,197
Depreciation and amortization - facility	1,147,665	-	55,096	-	1,202,761	700,574	-	-	700,574
Interest - facility	1,580,911	-	1,571	-	1,582,482	1,525,645	-	-	1,525,645
Total occupancy expenses	5,979,154	-	463,296	-	6,442,450	5,477,416	391,194	-	5,868,610
GENERAL AND ADMINISTRATIVE EXPENSE									
Office supplies and materials	86,611	-	9,208	25	95,844	198,270	16,529	1,497	216,296
Office equipment rental and maintenance	23,625	-	6,004	-	29,629	-	-	-	-
Software & equipment rental/maintenance	446,616	-	108,332	98	555,046	429,437	89,034	-	518,471
Telecommunications	321,332	-	2,222	-	323,554	226,933	16,695	-	243,628
Professional fees	70,872	-	130,196	-	201,068	260,576	192,869	150	453,595
Insurance	133,897	-	17,525	-	151,422	125,164	18,177	-	143,341
Administration fee	221,054	-	27,341	-	248,395	224,876	30,217	-	255,093
Depreciation and amortization	358,199	-	31,581	-	389,780	830,718	93,683	-	924,401
Other general expense	435,006	5,882	211,005	122,874	774,767	215,013	155,594	112,842	483,449
Total general expenses	2,097,212	5,882	543,414	122,997	2,769,505	2,510,987	612,798	114,489	3,238,274
TOTAL EXPENSES	$ 24,170,480	$ 6,034	$ 3,070,483	$ 123,453	$ 27,370,450	$ 22,483,014	$ 2,919,417	$ 114,489	$ 25,516,920