CARLOS ROSARIO INTERNATIONAL
PUBLIC CHARTER SCHOOL
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

Years Ended June 30, 2017 and 2016

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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 statement of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 and consolidated schedule of functional expenses 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 30, 2017, 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.

Rubino & Company

November 30, 2017
Bethesda, Maryland

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents		
Unrestricted	$ 18,083,445	$ 19,131,789
Restricted	1,675,647	1,672,304
	19,759,092	20,804,093
Grant and other receivables	25,043	1,089
Current portion of notes receivable	212,167	202,101
Prepaid expenses and other assets	537,597	960,888
Total current assets	20,533,899	21,968,171
Investments	3,147,826	3,142,281
Note receivable	3,802,058	3,784,839
Property and equipment, net	28,870,179	27,735,608
Deferred rent receivable	101,794	248,068
Other assets	296,150	433,509
Total assets	$ 56,751,906	$ 57,312,476
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accruals	$ 726,683	$ 680,895
Accrued salaries and related expenses	1,598,314	1,631,083
Deferred revenue	-	27,940
Current portion of notes payable, net	802,196	1,040,037
Total current liabilities	3,127,193	3,379,955
Interest rate swap liability	455,244	714,363
Other liabilities	350,905	353,306
Deposit	29,557	29,557
Notes payable, net	25,118,684	25,920,879
Total liabilities	29,081,583	30,398,060
Net assets		
Unrestricted	27,603,577	26,810,765
Temporarily restricted	66,746	103,651
Total net assets	27,670,323	26,914,416
Total liabilities and net assets	$ 56,751,906	$ 57,312,476

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

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Charter per pupil allotment			
Regular	$ 18,186,668	$ -	$ 18,186,668
Facilities	6,404,200	-	6,404,200
	24,590,868	-	24,590,868
Grants and contributions	219,435	70,882	290,317
Program service - rental income	744,996	-	744,996
Culinary arts sales	461,194	-	461,194
Student fees and other income	244,046	-	244,046
Investment income	47,650	-	47,650
Net assets released from restrictions	107,787	(107,787)	-
Total revenue and support	26,415,976	(36,905)	26,379,071
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	25,882,283	-	25,882,283
Changes in net assets from operations	533,693	(36,905)	496,788
Non-operating activity			
Change in interest rate swap liability, net	259,119	-	259,119
Change in net assets	792,812	(36,905)	755,907
Net assets, beginning of year	26,810,765	103,651	26,914,416
Net assets, end of year	$ 27,603,577	$ 66,746	$ 27,670,323

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, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Charter per pupil allotment			
Regular	$ 17,040,171	$ -	$ 17,040,171
Facilities	6,302,357	-	6,302,357
	23,342,528	-	23,342,528
Grants and contributions	199,124	47,195	246,319
Program service - rental income	789,646	-	789,646
Culinary arts sales	448,234	-	448,234
Student fees and other income	333,419	-	333,419
Investment income	131,574	-	131,574
Net assets released from restrictions	77,400	(77,400)	-
Total revenue and support	25,321,925	(30,205)	25,291,720
Expenses			
Educational programs	17,745,443	-	17,745,443
Program services - rental operations	5,259,565	-	5,259,565
General and administrative	3,176,205	-	3,176,205
Fundraising	74,358	-	74,358
Total expenses	26,255,571	-	26,255,571
Changes in net assets from operations	(933,646)	(30,205)	(963,851)
Non-operating activity			
Change in interest rate swap liability, net	63,917	-	63,917
Change in net assets	(869,729)	(30,205)	(899,934)
Net assets, beginning of year	27,680,494	133,856	27,814,350
Net assets, end of year	$ 26,810,765	$ 103,651	$ 26,914,416

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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 755,907	$ (899,934)
Reconciling adjustments		
Depreciation and amortization	2,305,050	2,901,077
Net unrealized losses (gains) on investments	37,660	(50,056)
Changes in operating assets and liabilities		
Grants and other receivables	(23,954)	259,131
Prepaid expenses	423,291	(292,436)
Other assets	137,359	1,136,815
Accounts payable	45,788	(1,516,614)
Accrued salaries and related expenses	(32,769)	(962,228)
Interest rate swap liability	(259,119)	(63,917)
Deferred revenue	(27,940)	(5,371)
Deposits	-	29,557
Deferred rent	146,274	(79,310)
Other liabilities	(240,242)	597,866
Net cash provided by operating activities	3,267,305	1,054,580
Cash flows from investing activities		
Proceeds from certificates of deposit	1,052,795	1,460,190
Purchase of certificates of deposit	(1,096,000)	(1,494,000)
Collections on note receivable	(27,285)	224,964
Purchase of property and equipment	(3,439,621)	(898,359)
Net cash used by investing activities	(3,510,111)	(707,205)
Cash flows from financing activities		
Repayment of debt	(802,195)	(1,068,685)
Net decrease in cash and cash equivalents	(1,045,001)	(721,310)
Cash and cash equivalents, beginning of year	20,804,093	21,525,403
Cash and cash equivalents, end of year	$ 19,759,092	$ 20,804,093

The accompanying notes are an integral part of these consolidated 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. There were approximately 2,050 and 2,025 students enrolled for the school years ended June 30, 2017 and 2016, respectively.

Community Capital Corporation (CCC) was incorporated on February 26, 2001, as a 501(c)(3) nonprofit corporation under the laws of the District of Columbia. CCC was founded to provide, acquire, renovate, own, and operate facilities to house community service and nonprofit organizations, primarily the School, and to serve the needs of the immigrant population of the Washington D.C. area.

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. 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.

Use of Estimates

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

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.

2. Summary of Significant Accounting Policies

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, 2017 and 2016, respectively. However, tax years ended June 30, 2014 through 2016 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 2017 or 2016.

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.

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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.

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 and 2016, include 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 in certificates of deposit are recorded at fair value, which approximates cost. The fair values of certificates of deposit are based on the custodian's analysis of interest rates, credit risk, investment terms, and other factors.

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 6. 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, 2017 and 2016.

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 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. Maintenance and repair costs are charged to expense as incurred.

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 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.

Reclassification

Certain amounts on the prior-year consolidated financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through November 30, 2017, which is the date the consolidated financial statements were available to be issued.

3. Property and Equipment

The following summarizes property and equipment by major asset categories as of June 30, 2017 and 2016:

	2017	2016
Land	$ 2,082,852	$ 2,082,852
Leasehold improvements	39,249,030	36,284,267
Computers and software	3,095,108	2,792,103
Furniture and fixtures	1,251,863	1,227,150
Equipment	2,212,232	1,979,450
Capital leased equipment	81,315	81,315
Vehicles	512,316	422,379
Construction in progress	-	175,579
Total	48,484,716	45,045,095
Less: accumulated depreciation and amortization	(19,614,537)	(17,309,487)
Property and equipment, net	$ 28,870,179	$ 27,735,608

The School and CCC have capitalized costs for leasehold improvements at a property leased from the District of Columbia (Note 5). The capitalized balance as of June 30, 2017 and 2016, were $11,197,629 and $8,248,663, respectively, and is being amortized as discussed in Note 2.

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 5). 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.

3. Property and Equipment (continued)

The construction and equipment purchase was 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 6).

Total depreciation and amortization expense for the years ended June 30, 2017 and 2016 were $2,305,050 and $2,901,077, respectively.

4. Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016, are available for the following purposes:

	2017	2016
Student scholarships	$ 56,206	$ 91,086
IME BECAS - Scholarship	10,540	12,565
Temporarily restricted net assets	$ 66,746	$ 103,651

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

5. 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 3). 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, 2018	$	70,000
2019		70,000
2020		70,000
2021		70,000
2022		5,833
Total	$	285,833

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, 2017 and 2016, 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.

5. Commitments and Contingencies (continued)

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, 2017 and 2016, totaled $313,961 and $248,068 . Rental income for the years ended June 30, 2017 and 2016 was $1,677,517 and $2,034,732, respectively.

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

Year ending June 30,	2018	$	475,000
	2019		489,000
	2020		503,000
	2021		519,000
	2022		534,000
	2023 and thereafter		3,719,000
	Total	$	6,239,000

Employment Contract

The School has an employment-transition contract with its former President, which provides for future payments as services are rendered. The transition period ends upon the Executive's retirement on December 31, 2017.

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.

6. 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 bond payable was $211,607 and $221,679 for the years ended June 30, 2017 and 2016, respectively (before adjustment for the interest rate swap discussed below).

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 bonds payable. 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, prior to the time the bonds mature. CCC's credit risk is limited to the fair market value of the interest rate swap liability, which totaled $455,244 and $714,363 at June 30, 2017 and 2016, respectively.

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, 2017 and 2016, was $259,119 and $63,917, respectively.

6. Long Term Liabilities (continued)

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) (1.23% in 2017). Under the terms of the loan the interest rate swap agreement is to remain in effect.

The School has guaranteed the performance of the loan obligation. The term loan requires the School to comply with certain financial covenants. The School has met such covenants as June 30, 2017 and 2016. The outstanding balance of the term loan as of June 30, 2017 and 2016 were $4,218,578 and $4,757,341, respectively. Interest expense related to the ten-year term loan totaled $111,071 and $105,101 for the years ended June 30, 2017 and 2016.

Financing under the New Market Tax Credit Program

On October 31, 2012, CCC-SGC entered into a master loan and disbursement agreement 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), to fund the development and construction of the Sonia Gutierrez Campus (Note 3). 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 Banc 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.

6. Long Term Liabilities (continued)

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. The terms of the loans and outstanding balances at June 30, 2017, 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
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.		3,438,937
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.		526,210
Total	$	20,965,147

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.

6. 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, 2016, 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.	$ 699,356
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.	699,355
Total	$ 1,398,711

6. Long Term Liabilities (continued)

The following summarized long-term debt, net of short-term debt and cost of issuance as of June 30, 2017 and 2016:

	2017	2016
NMTC program loans	$ 20,965,147	$ 21,467,748
Building Hope and OPCSFS	1,398,711	1,429,835
Bank of America term loan	4,218,578	4,757,341
Total notes payable	26,582,436	27,654,924
Less: cost of issuance	661,556	694,008
Subtotal	25,920,880	26,960,916
Less: current portion notes payable, net of current portion of cost of issuance of $32,452 for each of the years ending June 30, 2017 and 2016	802,196	1,040,037
Non-current note payable, net of cost of issuance of $629,104 and $661,556 at June 30 2017 and 2016, respectively	$ 25,118,684	$ 25,920,879

The following summarizes future maturities of long-term debt as of June 30, 2017:

Year ending June 30,	2018	$ 834,649
	2019	891,478
	2020	2,406,547
	2021	1,295,332
	2022	1,355,970
	2023 and thereafter	19,798,460
	Total	$ 26,582,436

7. Retirement Plans

The School sponsored a 403(b) Plan for all employees that completed 1,000 hours of eligible service. Under this Plan, the School contributed 5% of an eligible employee's base compensation. Participants have the option to rollover their balances to the newly adopted 401(k) Plan or convert their accounts to an IRA. The School plans to terminate the 403(b) Plan when all assets are distributed, as employees rollover their balances to the new 401(k) Plan, or convert their balances into an IRA.

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 pension expense under both Plans for the years ended June 30, 2017 and 2016, totaled $733,545 and $767,523, 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 $214,511 and $192,878 at June 30, 2017 and 2016, 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 $81,639 and $240,631 at June 30, 2017 and 2016, respectively.

8. Donated Services

During the years ended June 30, 2017 and 2016, the School received pro-bono legal services valued at $43,619 and $33,482, respectively. This amount is reflected as revenue and expense in the accompanying consolidated financial statements.

9. 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 are as follows:

Year ending June 30,	2018	$ 229,385
	2019	54,673
	Total	$ 284,058

10. 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 2017 or 2016, the Plan is currently unfunded. There were no benefits paid by the Trust during the years ended June 30, 2017 and 2016.

10. Postretirement Benefits - Healthcare and Dental (continued)

A summary of the net periodic postretirement benefit costs for the years ended June 30, 2017 and 2016, is as follows:

	2017	2016
Service cost	$ 37,927	$ 34,072
Interest cost	11,812	12,174
Net periodic postretirement benefit cost	$ 49,739	$ 46,246

The following table sets forth the financial status of the plan for the years ended June 30, 2017 and 2016:

	2017	2016
Accumulated postretirement benefit obligation (APBO):		
Active paticipants fully eligible	$ (26,276)	$ (35,154)
Active participants not fully eligible	(314,731)	(296,102)
Inactive participants	(9,898)	(22,050)
Total APBO	(350,905)	(353,306)
Plan assets at fair value	-	-
Accrued postretirement benefit cost unfunded	$ (350,905)	$ (353,306)

The weighted average discount rate used to determine the APBO was 3.40% and 4.20% at June 30, 2017 and 2016, respectively, and the long-term inflation rate was 4.50% in 2017 and 2016. For measurement purposes, assumed healthcare cost trend rates of 7% in 2017 were used, trending down to 4.50%. This rate should be achieved in 2025.

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, 2017, 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, 2017, would decrease 9.9% or $34,740.

10. Postretirement Benefits - Healthcare and Dental (continued)

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, 2018	$	10,080
2019	$	21,030
2020	$	16,741
2021	$	12,794
2022	$	11,028
2023-2027	$	129,329

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.

11. Fair Value Measurements (continued)

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, 2017 and 2016, 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:

Investments in *money market funds* (Note 2) 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 *certificates of deposit* (Note 2) are valued by discounting the related cash flows based on current yields of similar instruments with comparable derivatives considering the credit worthiness of the issuer. Such securities are classified within Level 2 of the valuation hierarchy.

Investments in *mutual funds* (Note 2) 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.

11. Fair Value Measurements (continued)

The following summarizes information about the fair value measurements used as June 30, 2017 and 2016:

2017	Total	Level 1	Level 2
Assets			
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 - other assets 457(b) and 457(f) Plans	296,150	296,150	-
Total	$ 6,026,332	$ 2,878,506	$ 3,147,826

2016	Total	Level 1	Level 2
Assets			
Money Market Funds cash equivalents (Note 2)	$ 2,579,187	$ 2,579,187	$ -
Certificates of Deposit (Note 2)	3,142,281	-	3,142,281
Mutual funds - other assets 457(b) and 457(f) Plans	433,509	433,509	-
Total	$ 6,154,977	$ 3,012,696	$ 3,142,281

12. Supplemental Cash Flow Information

Cash paid during the year June 30, 2017 and 2016 for interest totaled $952,731 and $1,004,267, respectively. Non-cash donated services received during the years 2017 and 2016, were $43,619 and $33,482, respectively.

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

	Educational Programs	Rental Operation	General and Administrative	Fundraising	Total
PERSONNEL SALARIES AND BENEFITS					
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	13,675,210	993,262	2,304,412	-	16,972,884
DIRECT STUDENT COSTS					
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	819,401	-	-	-	819,401
OCCUPANCY EXPENSES					
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	879,888	3,493,997	124,225	-	4,498,110
GENERAL AND ADMINISTRATIVE					
Office supplies and materials	198,270	4,650	20,247	1,497	224,664
Software and equipment rental Telephone	429,437	-	89,034	-	518,471
and telecommunications Professional fees	226,933	19,731	20,919	-	267,583
Insurance	260,576	45,837	319,913	150	626,476
Administration fee	125,164	91,031	18,957	-	235,152
Depreciation and amortization	224,876	-	30,217	-	255,093
Other general expense	830,718	-	93,683	-	924,401
Total general and administrative expenses	215,013	43,714	168,479	112,842	540,048
	2,510,987	204,963	761,449	114,489	3,591,888
TOTAL EXPENSES	$ 17,885,486	$ 4,692,222	$ 3,190,086	$ 114,489	$ 25,882,283

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES

CONSOLIDATING SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION

June 30, 2017

	CRCS	CCC CCC-SGC	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents				
Unrestricted	$ 13,122,788	$ 4,655,882	$ 304,775	$ 18,083,445
Restricted	-	1,980,422	(304,775)	1,675,647
	13,122,788	6,636,304	-	19,759,092
Due from related party	-	2,100,293	(2,100,293)	-
Grant and other receivables	25,043	-	-	25,043
Current portion of notes receivable	-	212,167	-	212,167
Prepaid and other assets	152,580	385,017	-	537,597
Current, net investment in direct financing lease	-	140,476	(140,476)	-
Total current assets	13,300,411	9,474,257	(2,240,769)	20,533,899
Investments	3,147,826			3,147,826
Note receivable	-	3,802,058	-	3,802,058
Property and equipment, net	22,364,044	6,049,370	456,765	28,870,179
Deferred rent receivable	-	2,118,910	(2,017,116)	101,794
Facility repair and improvements reserve fund	304,775	-	(304,775)	-
Other assets	296,150	-	-	296,150
Net investment in direct financing lease	-	12,905,843	(12,905,843)	-
Deposits	127,440	-	(127,440)	-
Total assets	$ 39,540,646	$ 34,350,438	$ (17,139,178)	$ 56,751,906
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and other accruals	$ 221,999	$ 504,684	$ -	$ 726,683
Accrued salaries and related expenses	1,479,013	119,301	-	1,598,314
Due to related party	2,100,293		(2,100,293)	-
Deferred revenue	-	-	-	-
Current portion of notes payable, net	-	802,196	-	802,196
Current portion of capital lease obligations	140,476	-	(140,476)	-
Total current liabilities	3,941,781	1,426,181	(2,240,769)	3,127,193
Capital lease obligations	12,905,843	-	(12,905,843)	-
Interest rate swap liability	-	455,244	-	455,244
Other liabilities	350,905	-	-	350,905
Deposits	-	156,997	(127,440)	29,557
Facility repair and improvements reserve fund	-	304,775	(304,775)	-
Deferred rent	2,017,116	-	(2,017,116)	-
Notes payable, net	-	25,118,684	-	25,118,684
Total liabilities	19,215,645	27,461,881	(17,595,943)	29,081,583
Net assets				
Unrestricted	20,258,255	6,888,557	456,765	27,603,577
Temporarily restricted	66,746	-	-	66,746
Total net assets	20,325,001	6,888,557	456,765	27,670,323
Total liabilities and net assets	$ 39,540,646	$ 34,350,438	$ (17,139,178)	$ 56,751,906

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

	CRCS	CCC CCC-SGC	Eliminations	Total
Revenue and support				
Charter per pupil allotment				
Regular	$ 18,186,668	$ -	$ -	$ 18,186,668
Facilities	6,404,200	-	-	6,404,200
	24,590,868	-	-	24,590,868
Grants and contributions	219,435	-	-	219,435
Program service - rental income	-	5,529,216	(4,784,220)	744,996
Culinary arts sales	461,194	-	-	461,194
Student fees and other income	332,172	55,777	(143,903)	244,046
Investment income	23,265	24,385	-	47,650
Net assets released from restrictions	107,787	-	-	107,787
Total revenue and support	25,734,721	5,609,378	(4,928,123)	26,415,976
Expenses				
Educational programs	22,483,014	-	(4,597,528)	17,885,486
Program services - rental operations	-	4,692,222	-	4,692,222
General and administrative	2,919,417	738,137	(467,468)	3,190,086
Fundraising	114,489	-	-	114,489
Total expenses	25,516,920	5,430,359	(5,064,996)	25,882,283
Increase in unrestricted net assets from operations	217,801	179,019	136,873	533,693
Changes in temporarily restricted net assets				
Contributions	70,882	-	-	70,882
Net assets released from restrictions	(107,787)	-	-	(107,787)
Decrease in temporarily restricted net assets	(36,905)	-	-	(36,905)
Non-operating activity				
Change in interest rate swap liability, net	-	259,119	-	259,119
Change in net assets	180,896	438,138	136,873	755,907
Net assets, beginning of year	20,144,105	6,450,419	319,892	26,914,416
Net assets, end of year	$ 20,325,001	$ 6,888,557	$ 456,765	$ 27,670,323

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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, 2017 and 2016, 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 30, 2017.

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.

Rubino & Company

November 30, 2017
Bethesda, Maryland

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL
AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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 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.