Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Financial Report
June 30, 2020

Contents

Independent Auditor's Report

Board of Directors
Carlos Rosario International Public Charter School, Inc.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Carlos Rosario International Public Charter School, Inc. and Affiliates (collectively, the School), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to solely 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 the effectiveness of internal control over financial reporting or on compliance. The report is an intergral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
November 24, 2020

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	**$ 9,617,667**	$ 14,832,961
Grants and other receivables	**89,953**	137,845
Current portion of notes receivable	**-**	62,096
Prepaid expenses and other	**532,153**	794,487
Total current assets	**10,239,773**	15,827,389
Investments	**11,948,155**	11,658,981
Noncurrent portion of notes receivable	**-**	3,455,904
Property and equipment, net	**24,635,637**	25,871,535
Deferred compensation assets	**279,940**	323,136
Deferred rental income	**427,045**	403,870
Total assets	**$ 47,530,550**	$ 57,540,815
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and other accruals	**$ 316,049**	$ 950,824
Accrued salaries and related expenses	**2,300,469**	2,078,127
Deferred revenue	**57,344**	-
Current portion of notes payable, net	**609,304**	2,406,547
Total current liabilities	**3,283,166**	5,435,498
Interest rate swap liability	**-**	225,993
Deferred compensation liability	**279,940**	323,136
Accrued postretirement benefit	**593,322**	414,347
Deposit	**29,557**	29,557
Noncurrent portion of notes payable, net	**8,903,434**	21,853,107
Total liabilities	**13,089,419**	28,281,638
Net assets:		
Without donor restrictions	**34,248,286**	29,134,509
With donor restrictions	**192,845**	124,668
Total net assets	**34,441,131**	29,259,177
Total liabilities and net assets	**$ 47,530,550**	$ 57,540,815

See notes to consolidated financial statements.

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Charter per pupil allotment:			
Regular	$ 21,548,942	$ -	$ 21,548,942
Facilities	7,070,201	-	7,070,201
	28,619,143	-	28,619,143
Grants and contributions:			
Contributions	241,594	182,368	423,962
In-kind support	8,808	-	8,808
Net assets released from restrictions	114,191	(114,191)	-
Total grants and contributions	364,593	68,177	432,770
Program service – rental income	693,774	-	693,774
Cafeteria sales	342,531	-	342,531
Other income	233,554	-	233,554
Total revenue and support	30,253,595	68,177	30,321,772
Expenses:			
Educational programs	22,172,968	-	22,172,968
Program service – rental operations	4,406,723	-	4,406,723
Community outreach	147,540	-	147,540
General and administrative	3,592,200	-	3,592,200
Fundraising	148,003	-	148,003
Total expenses	30,467,434	-	30,467,434
Change in net assets before other activities	(213,839)	68,177	(145,662)
Other activities:			
Investment return, net	295,041	-	295,041
Gain on unwind of new markets tax credits	4,982,582	-	4,982,582
Gain on interest rate swap liability, net	49,993	-	49,993
Change in net assets	5,113,777	68,177	5,181,954
Net assets:			
Beginning	29,134,509	124,668	29,259,177
Ending	$ 34,248,286	$ 192,845	$ 34,441,131

See notes to consolidated financial statements.

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Charter per pupil allotment:			
Regular	$ 20,965,966	$ -	$ 20,965,966
Facilities	6,852,300	-	6,852,300
	27,818,266	-	27,818,266
Grants and contributions:			
Federal grants	270,663	-	270,663
State grants	66,176	-	66,176
Contributions	68,135	154,074	222,209
In-kind support	56,966	-	56,966
Net assets released from restrictions	142,279	(142,279)	-
Total grants and contributions	604,219	11,795	616,014
Program service – rental income	733,430	-	733,430
Cafeteria sales	446,957	-	446,957
Other income	224,159	-	224,159
Total revenue and support	29,827,031	11,795	29,838,826
Expenses:			
Educational programs	21,481,562	-	21,481,562
Program service – rental operations	4,704,287	-	4,704,287
Community outreach	338,833	-	338,833
General and administrative	3,439,608	-	3,439,608
Fundraising	127,653	-	127,653
Total expenses	30,091,943	-	30,091,943
Change in net assets before other activities	(264,912)	11,795	(253,117)
Other activities:			
Investment return, net	531,152	-	531,152
Gain on interest rate swap liability, net	43,508	-	43,508
Change in net assets	309,748	11,795	321,543
Net assets:			
Beginning	28,824,761	112,873	28,937,634
Ending	$ 29,134,509	$ 124,668	$ 29,259,177

See notes to consolidated financial statements.

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Educational Programs	Rental Operations	Community Outreach	General and Administrative	Fundraising	Total
Personnel salaries and benefits:						
Salaries	$ 14,355,747	$ 672,646	$ -	$ 2,208,968	$ 87,134	$ 17,324,495
Employee benefits	3,513,711	232,741	2,986	552,303	30,661	4,332,402
Contracted staff	684	-	-	-	-	684
Professional development	61,385	1,929	-	73,508	-	136,822
Total personnel, salaries and benefits	17,931,527	907,316	2,986	2,834,779	117,795	21,794,403
Direct student costs:						
Supplies and materials	213,758	-	1,319	-	-	215,077
Transportation	62,149	-	-	-	-	62,149
Contracted instruction fees	29,928	-	-	-	-	29,928
Student assessments	16,547	-	-	-	-	16,547
Food service/workforce program	269,791	-	984	-	-	270,775
Other student costs	173,480	-	-	-	-	173,480
Total direct student costs	765,653	-	2,303	-	-	767,956
Occupancy expenses:						
Rent	-	103,127	-	1,042	-	104,169
Interest expense (facilities)	-	585,328	-	34,258	-	619,586
Depreciation and amortization (facilities)	1,018,345	574,907	-	41,023	-	1,634,275
Building maintenance and repairs	-	337,240	-	3,009	-	340,249
Utilities	-	543,062	-	5,485	-	548,547
Contracted building services	-	1,014,019	-	10,243	-	1,024,262
Other occupancy	-	2,566	-	-	-	2,566
Total occupancy expenses	1,018,345	3,160,249	-	95,060	-	4,273,654
General and administrative expenses:						
Office supplies and materials	86,129	2,700	671	19,632	386	109,518
Office equipment rental and maintenance	38,010	-	31	20,664	22	58,727
Software and equipment rental/maintenance	706,960	-	-	110,185	1,003	818,148
Telecommunications	209,948	16,589	-	27,194	-	253,731
Professional fees	402,828	-	394	218,096	22,441	643,759
Insurance	108,567	70,017	-	15,448	-	194,032
Administration fee – DCPCS	267,238	-	-	-	-	267,238
Depreciation and amortization	326,519	237,371	2,299	34,349	1,581	602,119
Other general expense	311,244	12,481	138,856	216,793	4,775	684,149
Total general and administrative expenses	2,457,443	339,158	142,251	662,361	30,208	3,631,421
Total expenses	$ 22,172,968	$ 4,406,723	$ 147,540	$ 3,592,200	$ 148,003	$ 30,467,434

See notes to consolidated financial statements.

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Educational Programs	Rental Operations	Community Outreach	General and Administrative	Fundraising	Total
Personnel salaries and benefits:						
Salaries	$ 13,636,590	$ 854,214	$ 123,944	$ 1,827,139	$ 58,005	$ 16,499,892
Employee benefits	3,032,473	83,873	50,317	734,372	20,499	3,921,534
Contracted staff	-	-	-	-	-	-
Professional development	-	-	-	-	-	-
Total personnel, salaries and benefits	16,669,063	938,087	174,261	2,561,511	78,504	20,421,426
Direct student costs:						
Supplies and materials	318,249	-	1,863	-	-	320,112
Transportation	62,151	-	-	-	-	62,151
Contracted instruction fees	20,293	-	2,170	-	-	22,463
Student assessments	15,967	-	-	-	-	15,967
Food service/workforce program	330,616	-	6,041	-	393	337,050
Other student costs	143,315	-	-	-	-	143,315
Total direct student costs	890,591	-	10,074	-	393	901,058
Occupancy expenses:						
Rent	425,185	99,891	-	1,009	-	526,085
Interest expense (facilities)	-	847,810	-	30,597	-	878,407
Depreciation and amortization (facilities)	1,014,323	571,937	-	33,944	995	1,621,199
Building maintenance and repairs	14,985	549,419	-	-	-	564,404
Utilities	-	548,710	-	5,543	-	554,253
Contracted building services	-	744,727	-	7,056	-	751,783
Other occupancy	-	1,267	-	-	-	1,267
Total occupancy expenses	1,454,493	3,363,761	-	78,149	995	4,897,398
General and administrative expenses:						
Office supplies and materials	94,792	10,769	1,553	9,649	589	117,352
Office equipment rental and maintenance	46,136	-	-	15,108	68	61,312
Software and equipment rental/maintenance	615,996	-	-	103,214	84	719,294
Telecommunications	293,501	17,960	550	9,239	94	321,344
Professional fees	305,986	5,523	20,776	338,489	27,309	698,083
Insurance	102,725	69,140	-	15,992	212	188,069
Administration fee – DCPCS	258,650	-	-	-	-	258,650
Depreciation and amortization	350,605	282,045	-	22,160	1,136	655,946
Other general expense	399,024	17,002	131,619	286,097	18,269	852,011
Total general and administrative expenses	2,467,415	402,439	154,498	799,948	47,761	3,872,061
Total expenses	$ 21,481,562	$ 4,704,287	$ 338,833	$ 3,439,608	$ 127,653	$ 30,091,943

See notes to consolidated financial statements.

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 5,181,954	$ 321,543
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Gain on unwind of new market tax credits	(4,982,582)	-
Depreciation and amortization	2,236,394	2,277,145
Amortization of loan origination costs	28,388	32,452
Net unrealized losses (gains) on investments	150,926	(190,402)
Deferred rental income	(23,175)	(37,837)
Gain on interest rate swap liability	(49,993)	(43,508)
Loss (gain) on sale of property and equipment	56,913	(10,821)
Changes in assets and liabilities:		
(Increase) in:		
Grant and other receivables	47,892	(74,276)
Prepaid expenses and other	262,334	(184,105)
Increase (decrease) in:		
Deferred revenue	57,344	-
Deferred compensation liability	(43,196)	33,397
Accounts payable and other accruals	(634,775)	342,754
Accrued salaries and related expenses	222,342	652,579
Accrued postretirement benefit	178,975	48,091
Net cash provided by operating activities	2,689,741	3,167,012
Cash flows from investing activities:		
Proceeds from investments	1,838,496	2,129,657
Purchase of investments	(2,235,400)	(2,477,790)
Collections on note receivable	-	54,673
Proceeds from sale of property and equipment	-	18,950
Purchase of property and equipment	(1,057,410)	(965,830)
Net cash used in investing activities	(1,454,314)	(1,240,340)
Cash flows used in financing activity:		
Repayment of debt	(16,073,804)	(891,480)
Proceeds from loan advances	10,000,000	-
Loan origination costs	(200,918)	-
Payment to extinguish swap agreement	(176,000)	-
Net cash used in financing activity	(6,450,722)	(891,480)
Net (decrease) increase in cash	(5,215,295)	1,035,192
Cash:		
Beginning	14,832,961	13,797,769
Ending	$ 9,617,666	$ 14,832,961
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,102,029	$ 1,611,682
Taxes paid	$ -	$ 59,075
Noncash donated services received	$ 8,808	$ 45,966
Supplemental schedule of noncash investing and financing activities:		
Noncash payoff of BOA CDE Loan C payable against the junior leverage loan receivable	$ 3,518,000	$ -
Forgiveness of BOA CDE Loan B and ESIC CDE Loan B	$ 5,565,010	$ -

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Carlos Rosario International Public Charter School, Inc. and Affiliates is comprised of three entities: The Carlos Rosario International Public Charter School, Inc., Community Capital Corporation and Community Capital School Sonia-Gutierrez Campus (collectively, the School).

The Carlos Rosario International Public Charter School, Inc. 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, D.C. to become invested, productive citizens and members of 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 2020 and 2019, were approximately 2,120 and 2,130 students, respectively.

Community Capital School (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 (IRC). CCC's purpose is to operate for charitable and educational purposes for the benefit of the School. The primary role of CCC has been as the developer, manager and landlord of the two facilities that the School occupies.

Community Capital School-Sonia Gutierrez Campus (CCC-SGC) was incorporated on July 10, 2012, as a nonprofit 501(c)(2) title holding School 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. During the year ended June 30, 2020, 514 V Street, Washington D.C. was transferred to CCC upon debt refinancing and CCC-SGC was dissolved on January 9, 2020. See Note 7.

A summary of the School's significant accounting policies follows:

Principle 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.

Basis of accounting: The consolidated financial statements of the School are prepared on the accrual basis of accounting whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The consolidated financial statements of the School are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting. U.S. GAAP also requires that the School report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets available for use in general activities and not subject to donor (or certain grantor) restrictions.

Financial risk: The School maintains cash balances at various financial institutions which, at times, may exceed federally insured limits. 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.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions that will be met by the passage of time or other events or purpose specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 consolidated statement of activities. Net investment income is reported as an increase in unrestricted net assets, unless restricted by donor or law.

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

Depreciation and amortization are calculated using the straight-line method over the estimated useful life of the assets, ranging from five to 20. Leasehold improvements are amortized over the shorter of lease terms or estimated useful lives.

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.

Valuation of long-lived assets: The School reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Management concluded there were no impairments for the years ended June 30, 2020 and 2019.

Cost of issuance: The entities’ cost of issuance of the M&T Bank loan consists of underwriters’ fees, professional fees, printing and other costs. The cost of issuance is reported as a discount to the debt.

The loan’s cost of issuance was $200,918, and is being amortized on over the 12-year term of the loan. The discount amortization is reported as interest expense.

Deferred rental income: Various leases for classroom and office space include escalations of the base rent. Rental income is recorded on a straight-line basis over the entire lease term. The deferred rental income receivable recorded on the accompanying consolidated statement of financial position represents the cumulative difference between monthly rental income and rent received.

Note 1. Nature of Activities and 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, 2020 and 2019.

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: Unconditional contributions and promises to give are recorded as support when received. Contributions and promises to give that are restricted by the donor as to time or purpose, are reported as an increase in net assets with donor restrictions. When a time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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. Conditional contributions are those contributions that contain donor imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

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. Conditional government and private grant revenue is recognized as costs qualified under the grants are incurred. Conditional grant funds received in excess of allowable grant costs incurred are recorded as refundable advances until earned. Revenue recognized in excess of cash received is reported as a grant receivable. Cash received in excess of revenue recognized is reported as deferred revenue.

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

Functional allocation of expenses: The costs of providing the programs have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and administrative services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function. Rent, interest expense, depreciation and contracted building services are allocated based on square footage that each function occupies.

Tax status: Under the provision of Section 501(c)(3) of the IRC and the applicable income tax regulations of the District of Columbia, the School is exempt from taxes on income other than unrelated business income. The School had net unrelated business income of $0 and $167,984 for the years ended June 30, 2020 and 2019, respectively. Generally, the School is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

CCC-SGC is a title-holding organization, exempt from federal income taxes under Section 501(c)(2) of the IRC. Accordingly, no provision for income taxes is required for 2020 or 2019. The entity was dissolved on January 9, 2020.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

Adoption of new accounting pronouncement: In June, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The School has implemented ASU 2018-08 under the modified prospective method, effective July 1, 2019, when the School is a resource recipient, however, there was no significant impact on the presentation of the financial statements. When the School is a resource provider, ASU 2018-08 is applicable to contributions made beginning July 1, 2020. The impact of adopting ASU 2018-08 on the School's consolidated financial statements for subsequent periods has not yet been determined.

Recent accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, along with various updates in 2016 and 2015, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard is effective July 1, 2020. Management has not yet selected a transition method and is currently evaluating the effect that the ASU will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842*), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning July 1, 2021. The School is currently in the process of evaluating the impact of the new accounting guidance on the consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: Management has evaluated subsequent events through November 24, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

Investments consist of the following at June 30, 2020 and 2019:

	2020	2019
Certificates of deposit	$ 3,358,357	$ 3,240,487
Mutual funds	3,506,349	3,204,461
Exchange-traded and closed-end funds	2,751,333	2,666,259
Common stocks	1,106,263	1,110,024
Government securities	673,130	813,451
Corporate bonds	414,236	465,954
Money market funds	116,511	137,658
Preferred stocks	21,976	20,687
Total investments	$ 11,948,155	$ 11,658,981

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.

The following schedule summarizes the investment return included in the consolidated statements of activities for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividend income	$ 498,225	$ 391,796
Net realized and unrealized (losses) gains	(150,926)	190,402
Sub-total	347,299	582,198
Less investment fees	(52,258)	(51,046)
Investment return, net	$ 295,041	$ 531,152

Note 3. Property and Equipment

The following summarizes property and equipment by major asset categories as of June 30, 2020 and 2019:

	2020	2019
Land	$ 2,082,852	$ 2,082,852
Building and improvements	16,012,854	17,126,092
Capital lease and improvements	23,913,241	22,907,573
Computers and software	2,392,115	2,259,791
Furniture and fixtures	1,307,178	1,307,178
Equipment	2,401,526	2,356,761
Vehicles	481,533	481,532
Construction in progress	-	160,922
Total	48,591,299	48,682,701
Less accumulated depreciation and amortization	(23,955,661)	(22,811,166)
Property and equipment, net	$ 24,635,638	$ 25,871,535

The School and CCC have capitalized costs for leasehold improvements at the Harvard and V Street locations. The capitalized balance as of June 30, 2020 and 2019, was $23,913,241 and $22,907,573, respectively, and is being amortized as discussed in Note 1.

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 (See Note 6). 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. CCC leased the property from CCC-SGC, under a capital lease agreement until the unwind of New Markets Tax Credits (NMTC) and CCC-SGC was dissolved (See Note 6). In turn, the School entered into a capital lease with CCC for the property (see Note 6).

The construction and equipment purchase were financed by Bank of America through a qualified equity investment, under the New Market Tax Credit Program between CCC-SGC and the lenders Banc of America COE V LLC and ESIC New Market Partners Limited Partnership (See Note 7).

Total depreciation and amortization expense for the years ended June 30, 2020 and 2019, were $2,236,394 and $2,277,145, respectively.

Note 4. 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 was five years with an interest of 4.87% per annum. This was paid in full.

Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019, were available for the following purposes:

	2020	2019
Student scholarships	$ 179,173	$ 65,329
IME BECAS – Scholarship	10,150	6,675
Fidelity CDAF – Citizenship	1,885	10,000
Phillip Graham Fund Grant	1,637	42,664
Donor restricted net assets	$ 192,845	$ 124,668

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

Note 6. 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 (See Note 3). The lease commenced in July 2001 and expires in July 2021. Future minimum payments under this noncancelable operating lease are as follows:

Years ending June 30:	
2021	$ 70,000
2022	5,833
	$ 75,833

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, 2020 and 2019, 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 25 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 15 years commencing on the delivery date, which is the date the certificate of occupancy was issued. Under the sublease terms, the entity started paying rent the first day of the first month following the delivery date.

This operating sublease (Sonia Gutierrez Campus) calls for monthly rent with annual increases until the expiration of the sublease. The total lease payments are recorded as rental income on a straight-line basis over the lease period, which results in a deferred rent asset. The deferred rent balance as of June 30, 2020 and 2019, totaled $427,045 and $403,870, respectively. Rental income for the years ended June 30, 2020 and 2019, was $526,576 each year.

Note 6. Commitments and Contingencies (Continued)

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

Years ended June 30:		
2021	$	519,000
2022		534,000
2023		550,000
2024		567,000
2025		584,000
Thereafter		2,018,000
	$	4,772,000

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 July 31, 2024.

Note 7. 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 termloan from Bank of America, discussed below.

The bond had a floating interest rate, as established weekly by the remarketing agent, based on the London Inter-Bank Offer Rate (LIBOR). However, CCC has entered into an interest rate swap agreement discussed below. Interest expense related to the interest rate swap was $84,259 and $106,667 for the years ended June 30, 2020 and 2019, respectively, before adjustment to fair value and termination as discussed below.

Interest rate swap: CCC had entered into an interest rate swap agreement through Bank of America to reduce the impact of market changes in the variable interest rate for the original bond financing. The agreement effectively changed CCC's interest rate exposure on the floating rate notes to a fixed rate of 4.79%. The interest rate swap agreement was due to mature in 2023. CCC's credit risk was limited to the fair market value of the interest rate swap liability, which was $0 and $225,993 at June 30, 2020 and 2019, respectively. The interest rate swap was reported at fair value on a recurring basis and considered a Level 2 input as defined by the fair value measurements standard.

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 consolidated statement of activities. The amount recorded as an increase to unrestricted net assets for the years ended June 30, 2020 and 2019, was $49,993 and $43,508, respectively before termination on June 5, 2020, with a payment of $176,000.

Harvard Street refinance: On August 1, 2013, CCC entered into a 10-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 repay the bond payable described above. The first payment of the term loan was due on September 1, 2013 and was due to mature on August 1, 2023. The loan bore a floating interest rate equal to the LIBOR Daily Floating Rate plus 175 basis points per annum (the floating rate) (2.36% in 2019).

Note 7. Long-Term Liabilities (Continued)

The outstanding balance of the term loan as of June 30, 2020 and 2019, was $0 and $3,030,363, respectively, as the loan was paid off on February 21, 2020. Interest expense related to the 10-year term loan was $77,821 and $138,608 for the years ended June 30, 2020 and 2019, respectively.

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

Bank of America N.A., in its capacity as senior leverage lender, has made a leverage loan in the principal amount of $8,443,200 to the Bank of America Investment Fund. Further, CCC made a leverage loan in the principal amount of $3,518,000, known as the junior leverage loan, and Banc of America CDE V, LLC has made capital contributions to Bank of America Investment Fund in an aggregate amount of $5,038,800. Bank of America Investment Fund has been admitted as a member of 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.

Merrill Lynch NMTC School (ML NMTC Lender) 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 signed an agreement with ESIC New Markets Partners Limited Partnership (lender), for the above loans known as ESIC CDE loans.

Note 7. Long-Term Liabilities (Continued)

The terms of the loans were as follows before the unwind of the transaction discussed below:

	2020	2019
BOA CDE Loan A. (Above senior leverage loan of $8,443,200). Interest accrued monthly starting on January 15, 2013, at an interest rate of 4.34%. Principal payments were 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 accrued monthly starting on January 15, 2013, at an interest rate of 0.5%. Principal payments were due quarterly through the maturity date of October 31, 2044.	-	5,038,800
BOA CDE Loan C. (Above CCC junior leverage loan to Bank of America Investment Fund of $3,518,000). Interest accrued monthly starting on January 15, 2013, at an interest rate of 1.0%. Principal payments were due quarterly through the maturity date of October 31, 2044.	-	3,518,000
ESIC CDE Loan A for $3,941,538. Interest accrued monthly starting on January 15, 2013, at an interest rate of 4.34%. Principal payments were due quarterly through the maturity date of October 31, 2044.	-	2,969,121
ESIC CDE Loan B for $526,210. Interest accrued monthly starting on January 15, 2013, at an interest rate of 0.5%. Principal payments were due quarterly through the maturity date of October 31, 2044.	-	526,210
Total	$ -	$ 20,495,331

The School and CCC guaranteed the performance of the NMTC obligations. The obligations were secured, among other things, by the operating and subsidy payments and general revenues of the School and CCC. The guarantee was released with the NMTC unwind as discussed on the following page.

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.

Note 7. Long-Term Liabilities (Continued)

The terms of the loans were as follows:

	2020	2019
Building Hope, a Charter School Facilities Fund loan, for $750,000. Interest was paid quarterly in arrears on the first day of each month for 12 months. The interest rate of the loan was 6%. Principal payments commenced in October 2013, based on a 25 year amortization schedule. A balloon payment was due and paid by the maturity date of October 1, 2019.	$ -	$ 665,307
Office of Public Charter School Financing and Support loan for $750,000. Interest was paid quarterly in arrears on the first day of each month for 12 months. The interest rate of the loan was 6%. Principal payments commenced in October 2013, based on a 25 year amortization schedule. A balloon payment was due and paid by the maturity date of October 1, 2019.	-	665,306
Total	$ -	$ 1,330,613

As noted previously, the NMTC attained the seven-year time period which triggered the unwind of the transaction on December 9, 2019, and remaining unpaid debt was refinanced with an M&T Bank term note of $10,000,000. The note bears interest at LIBOR Daily Floating Rate plus 167 basis points per annum (the floating rate) which was 1.86% at June 30, 2020. Interest expense incurred for the year ending June 30, 2020, was $159,638. Principal and interest payments are due and payable beginning in January 2020 and amortized over 12 years. The note matures on December 1, 2031. CCC is subject to certain financial covenants. The note is unsecured; however, the School guarantees the performance of the M&T bank note.

The NMTC unwind resulted in a gain of $4,982,582 which includes forgiveness of BOA CDE Loan B and ESIC CDE Loan B totaling $5,565,010 and write-off of remaining unamortized loan origination costs of $580,428. The BOA CDE Loan C was extinguished against the junior leverage loan receivable in a noncash for the amount of each receivable/payable of $3,518,000. The Corporation paid off the loan for BOA CDE Loan A and ESCI CDE Loan A utilizing funding from the new M&T Bank note.

Note 7. Long-Term Liabilities (Continued)

The following summarizes long-term debt, net of short-term debt and cost of issuance as of June 30, 2020 and 2019:

	2020	2019
NMTC program loans	$ -	$ 20,495,331
Building Hope and OPCSFS	-	1,330,613
Bank of America term loan	-	3,030,363
M&T loan	9,701,494	-
Total notes payable	9,701,494	24,856,307
Less cost of issuance	188,756	596,653
Subtotal	9,512,738	24,259,654
Less current portion notes payable, net of current portion of cost of issuance of $12,848 and $32,452 at June 30, 2020 and 2019, respectively	609,304	2,406,547
Noncurrent note payable, net of cost of issuance of $175,908 and $596,653 at June 30, 2020 and 2019, respectively	$ 8,903,434	$ 21,853,107

The following summarizes future maturities of long-term debt as of June 30, 2020:

Years ended June 30:	
2021	$ 622,152
2022	657,247
2023	694,321
2024	733,486
2025	774,860
Thereafter	6,219,428
	$ 9,701,494

Note 8. Donated Services

During the years ended June 30, 2020 and 2019, the School received pro-bono legal services valued at $8,808 and $45,966, respectively. This amount is reflected as revenue and expense in the accompanying consolidated financial statements.

Note 9. Retirement Plans

The School adopted a 401(k) Plan effective August 15, 2013 and CCC adopted a 401(k) Plan effective July 1, 2015, for the benefit of all employees over 21 years of age, who have completed six months of service or 1000 hours 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 for the years ended June 30, 2020 and 2019, totaled $885,066 and $785,640, respectively.

Note 9. Retirement Plans (Continued)

The School sponsors a nonqualified deferred compensation plan under IRC Section 457(b) of the IRC. Funds are invested in certain money market funds and are included with other assets and other liabilities in the accompanying consolidated statements of financial position. The School's obligation is limited to the market value of the invested funds which was $279,690 and $248,990 at June 30, 2020 and 2019, respectively.

The School also sponsors a nonqualified deferred compensation plan under IRC Section 457(f) of the IRC. Funds are invested in certain money market funds and are included with other assets and other liabilities in the accompanying consolidated statements of financial position. The School's obligation is limited to the market value of the invested funds which was $250 and $74,146 at June 30, 2020 and 2019, respectively. The 457(f) plan has no more plan participants and expect the remaining funds to revert to the School.

CCC adopted a 457(b) Plan effective January 1, 2019, for highly compensated employees and have completed 12 months of service. The plan allows for salary deferral and discretionary matching contributions. Participants earn one year of vesting for each calendar year in which the participant is credited with 1,000 hours of service. Employer contributions vest immediately. Total contribution expense to the 457(b) Plan for the years ended June 30, 2020 and 2019, was $67 for each year.

Note 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 permits eligible employees, who desire to retire following the attainment of age 62 but prior to the attainment of age 65, 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 2020 or 2019, the Plan is currently unfunded. There were no benefits paid by the Trust during the years ended June 30, 2020 and 2019. A summary of the net periodic postretirement benefit costs for the years ended June 30, 2020 and 2019, is as follows:

	2020	2019
Service cost	$ 40,354	$ 35,134
Interest cost	13,881	15,016
Net periodic postretirement benefit cost	$ 54,235	$ 50,150

Note 10. Postretirement Benefits - Healthcare and Dental (Continued)

The following table sets forth the financial status of the plan for the years ended June 30, 2020 and 2019:

	2020	2019
Accumulated postretirement benefit obligation (APBO):		
Active participants fully eligible	$ (36,095)	$ (26,044)
Active participants not fully eligible	(557,227)	(388,303)
Total APBO	(593,322)	(414,347)
Plan assets at fair value	-	-
Accrued postretirement benefit cost unfunded	$ (593,322)	$ (414,347)

The weighted average discount rate used to determine the APBO was 3.35% at both June 30, 2020 and 2019, and the long-term inflation rate was 4.5% in 2020 and 2019. For measurement purposes, assumed healthcare cost trend rates of 6.75% in 2020 were used, trending down to 4.5%. This rate should be achieved in 2030.

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 14.9% or $8,166. The APBO as of June 30, 2020, would increase by 12.6% or $74,759.

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 12.6% or $6,906. The APBO as of June 30, 2020, would decrease 10.8% or $64,079.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next 10 fiscal years:

Years ended June 30:	
2021	$ -
2022	10,942
2023	21,593
2024	20,768
2025	17,604
2026-2030	270,123
	$ 341,030

Note 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 U.S. GAAP, 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, 2020 and 2019, 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:

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

Investments in *money market funds, preferred stocks* and *common stocks* (See 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.

Note 11. Fair Value Measurements (Continued)

Investments in *mutual funds* (See 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 (See Note 11) as reported at year-end in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

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

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

The value of liability of deferred compensation is based on observable inputs of the related assets and is, therefore, considered a Level 2 item.

The following summarizes information about the fair value measurements used as of June 30, 2020:

	2020		
	Total	Level 1	Level 2
Assets at fair value:			
Certificates of deposit	$ 3,358,357	$ -	$ 3,358,357
Mutual funds	3,506,349	3,506,349	-
Exchange-traded and closed-end funds	2,751,333	2,751,333	-
Common stocks	1,106,263	1,106,263	-
Government securities	673,130	-	673,130
Corporate bonds	414,236	-	414,236
Money market funds	116,511	116,511	-
Preferred stocks	21,976	21,976	-
Total investments (See Note 2)	11,948,155	7,502,432	4,445,723
Deferred compensation assets			
Mutual funds	279,940	279,940	-
	$ 12,228,095	$ 7,782,372	$ 4,445,723
Liabilities at fair value:			
Deferred compensation	$ 279,940	$ -	$ 279,940

Note 11. Fair Value Measurements (Continued)

The following summarizes information about the fair value measurements used as of June 30, 2019:

	2019		
	Total	Level 1	Level 2
Assets at fair value:			
Certificates of deposit	$ 3,240,487	$ -	$ 3,240,487
Mutual funds	3,204,461	3,204,461	-
Exchange-traded and closed-end funds	2,666,259	2,666,259	-
Common stocks	1,110,024	1,110,024	-
Government securities	813,451	-	813,451
Corporate bonds	465,954	-	465,954
Money market funds	137,658	137,658	-
Preferred stocks	20,687	20,687	-
Total investments (See Note 2)	11,658,981	7,139,089	4,519,892
Deferred compensation assets			
Mutual funds	323,136	323,136	-
	$ 11,982,117	$ 7,462,225	$ 4,519,892
Liabilities at fair value:			
Swap liability	$ 225,993	$ -	$ 225,993
Deferred compensation	323,136	-	323,136
	$ 549,129	$ -	$ 549,129

Note 12. Liquidity and Availability

The School regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investments of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position date, comprise the following as of June 30, 2020 and 2019:

	2020	2019
Cash	$ 9,617,667	$ 14,832,961
Grant and other receivables	89,953	137,845
Note receivable	-	3,518,000
Investments	11,948,155	11,658,981
Deferred compensation assets	279,940	323,136
Total financial assets available	21,935,715	30,470,923
Donor restricted net assets	192,845	124,668
Long-term note receivable	-	3,455,904
Deferred compensation assets	279,940	323,136
	472,785	3,903,708
Total financial assets available to meet cash needs for general expenditures within one year	$ 21,462,930	$ 26,567,215

Note 13. Contingencies

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the School operates. Management is continually monitoring the potential impact of the pandemic on the School. Management will review and adjust planned expenditures should it be determined the outbreak will significantly impact the financial position and activities of the School.

RSM

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Carlos Rosario International Public Charter School, Inc.

We have audited the consolidated financial statements of Carlos Rosario International Public Charter School, Inc. and Affiliates as of and for the year ended June 30, 2020, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. The accompanying schedule of vendor contracts awarded over $25,000 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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.

RSM US LLP

Washington, D.C.
November 24, 2020

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidating Statement of Financial Position
June 30, 2020

	CRIPCS	CCC CCC-SGC	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents:				
Unrestricted	$ 4,633,486	$ 4,679,406	$ 304,775	$ 9,617,667
Restricted	-	304,775	(304,775)	-
	4,633,486	4,984,181	-	9,617,667
Due from related party	-	346	(346)	-
Grant and other receivables	89,953	-	-	89,953
Prepaid expenses and other	365,679	166,474	-	532,153
Current portion of net investment in direct financing lease	-	169,796	(169,796)	-
Total current assets	5,089,118	5,320,797	(170,142)	10,239,773
Investments	11,948,155	-	-	11,948,155
Property and equipment, net	18,966,549	4,722,366	946,722	24,635,637
Deferred rental income	-	1,129,421	(702,376)	427,045
Facility repair and improvements reserve fund	304,775	-	(304,775)	-
Deferred compensation assets	279,940	-	-	279,940
Noncurrent portion of net investment in direct financing lease	-	12,428,712	(12,428,712)	-
Deposits	127,440	-	(127,440)	-
Total assets	$ 36,715,977	$ 23,601,296	$ (12,786,723)	$ 47,530,550
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accruals	$ 179,748	$ 136,301	$ -	$ 316,049
Accrued salaries and related expenses	2,143,524	156,945	-	2,300,469
Due to related party	346	-	(346)	-
Deferred revenue	57,344	-	-	57,344
Current portion of notes payable, net	-	609,304	-	609,304
Current portion of capital lease obligations	169,796	-	(169,796)	-
Total current liabilities	2,550,758	902,550	(170,142)	3,283,166
Interest rate swap liability	-	-	-	-
Deferred compensation liability	279,940	-	-	279,940
Accrued postretirement benefit	593,322	-	-	593,322
Deposits	-	156,997	(127,440)	29,557
Facility repair and improvements reserve fund	-	304,775	(304,775)	-
Deferred rental income	702,376	-	(702,376)	-
Noncurrent portion of notes payable, net	-	8,903,434	-	8,903,434
Noncurrent portion of capital lease obligations	12,428,712	-	(12,428,712)	-
Total liabilities	16,555,108	10,267,756	(13,733,445)	13,089,419
Net assets:				
Without donor restrictions	19,968,024	13,333,540	946,722	34,248,286
With donor restrictions	192,845	-	-	192,845
Total net assets	20,160,869	13,333,540	946,722	34,441,131
Total liabilities and net assets	$ 36,715,977	$ 23,601,296	$ (12,786,723)	$ 47,530,550

Carlos Rosario International Public Charter School, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2020

.	CRIPCS	CCC CCC-SGC	Eliminations	Total
Changes in net assets without donor restrictions:				
Revenues and support:				
Charter per pupil allotment:				
Regular	$ 21,548,942	$ -	$ -	$ 21,548,942
Facilities	7,070,201	-	-	7,070,201
	28,619,143	-	-	28,619,143
Grants and contributions:				
Contributions	241,594	-	-	241,594
In-kind support	8,808	-	-	8,808
Total grants and contributions	250,402	-	-	250,402
Program service – rental income	-	5,970,054	(5,276,280)	693,774
Cafeteria sales	342,531	-	-	342,531
Other income	349,763	3,791	(120,000)	233,554
Net assets released from restrictions	114,191	-	-	114,191
Total revenue and support	29,676,030	5,973,845	(5,396,280)	30,253,595
Expenses:				
Educational programs	27,373,603	-	(5,200,635)	22,172,968
Program service – rental operations	-	4,406,723	-	4,406,723
Community outreach	147,540	-	-	147,540
General and administrative	3,257,528	690,261	(355,589)	3,592,200
Fundraising	148,003	-	-	148,003
Total expenses	30,926,674	5,096,984	(5,556,224)	30,467,434
Decrease (increase) in net assets without donor restrictions before other activity	(1,250,644)	876,861	159,944	(213,839)
Other activity:				
Investment return, net	291,029	4,012	-	295,041
Gain on unwind of new markets tax credits	-	4,982,582	-	4,982,582
Change in interest rate swap liability, net	-	49,993	-	49,993
(Decrease) increase in net assets without donor restrictions	(959,615)	5,913,448	159,944	5,113,777
Changes in net assets with donor restrictions:				
Contributions	182,368	-	-	182,368
Net assets released from restrictions	(114,191)	-	-	(114,191)
(Decrease) increase in net assets with donor restrictions	68,177	-	-	68,177
Change in net assets	(891,438)	5,913,448	159,944	5,181,954
Net assets:				
Beginning	21,052,307	7,420,092	786,778	29,259,177
Ending	$ 20,160,869	$ 13,333,540	$ 946,722	$ 34,441,131

Carlos Rosario International Public Charter School, Inc.

Schedule of Vendor Contracts Awarded Over $25,000
Year Ended June 30, 2020

Vendor Name	Services Provided	Amount Awarded
CareFirst	Health Insurance	$ 1,534,433
BocaVox, LLC	Student information system and consulting	360,000
Lincoln Financial	Denatl & Life Insurance	205,000
US Foods	Kitchen Fixtures & Equipment	151,300
ADP, LLP	Payroll and HRIS systems	145,350
Wright Specialty Insurance	General liability and property insurance	105,358
Guernsey	Office Furniture	75,000
AT&T Mobility	Mobile phones and tablet data	68,000
Cogent Communications, Inc.	Telephone and data services	60,816
Proactive School	Student information system	60,000
RSM US LLP	Audit and tax services	57,500
Verizon	Telephone and data services	55,000
Selective Insurance Company of America	Worker's compensation insurance	47,090
Achieve 3000, Inc.	Student software application	42,285
Jani-King of Washington D.C.	Kitchen cleaning services	38,671
Capital Document Solutions	Copier and printing	35,000
WIPFLi LLP	Accounting software and support	33,235
Advanced Network Solutions	IT Infastrucre Software Support	27,350
Saval Food Service	Food and kitchen supplies	Not Specified
US Foods	Food and kitchen supplies	Not Specified
PJK Food Service/Keany Produce	Food and kitchen supplies	Not Specified

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*

Independent Auditor's Report

Board of Trustees
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 financial statements of Carlos Rosario International Public Charter School, Inc. (the School), which comprise the statements of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the School's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

RSM US LLP

Washington, D.C.
November 24, 2020

CARLOS ROSARIO
INTERNATIONAL PUBLIC CHARTER SCHOOL

Central Office & Harvard Street Campus
1100 Harvard Street, NW, Washington, DC 20009
202-797-4700

Sonia Gutierrez Campus
514 V Street, NE, Washington, DC 20002
202-734-4900

www.carlosrosario.org
info@carlosrosario.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

Finding: 2019-001: Accrual of Teacher Salaries

Criteria: In accordance with generally accepted accounting principles in the United States of America (U.S. GAAP), expenses should be recorded in the period the service was performed.

Condition and context: The School executes contracts on an annual basis for a period from approximately August 11 to August 10 annually for services provided from August until June of each year. The teacher contract service period is for 10 months, however, teachers are paid evenly over a 12 month period. The School did not accrue teacher salaries for the period from July 1, 2018 through August 10, 2018, representing the teaching services performed in full by June 30, 2018. During our testing of the accrued salaries as of June 30, 2019, the expense and accrual was understated as well for the teacher salaries for the contract ending August 12, 2019.

Effect: Net assets as of June 30, 2018 was understated by approximately $431,000 representing three pay periods for teachers' salaries that were for fiscal year 2018 services expensed in fiscal year 2019. This is reported as an uncorrected misstatement for the audit of the financial statements for the year ended June 30, 2019. Teachers' salaries expense and accrual were understated by $392,000 at June 30, 2019. An audit adjustment was posted to the financial statements.

Cause: This was not identified by management as a mismatch of services performed with the respective fiscal year of the School and not noted as an issue by the prior auditor.

Recommendation: We recommend the School implement a policy and procedure to accrue the remainder of the contract payments due for teachers for services performed as of June 30 of each year.

Corrective action plan: Corrective action was taken.