

**CREATIVE MINDS INTERNATIONAL
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses, Year Ended June 30, 2019	5
Statement of Functional Expenses, Year Ended June 30, 2018	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 16
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
SUPPLEMENTAL SCHEDULES REQUIRED BY DCPCSB	
Supplemental Schedule of Vendors paid over \$25,000, Year Ended June 30, 2019	19
Supplemental Schedule of Vendor Contracts Awarded over \$25,000, Year Ended June 30, 2019	20



Independent Auditor's Report

The Board of Trustees
Creative Minds International Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Creative Minds International Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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 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 Creative Minds International Public Charter School as of June 30, 2019 and 2018, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 19-20, as required by D.C. Public Charter School Board ("DCPCSB"), is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide an assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of Creative Minds International Public Charter 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 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 Creative Minds International Public Charter School's internal control over financial reporting and compliance.

Jane Marcus & McQuade PA

Washington, DC
November 19, 2019

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 2,348,275	\$ 1,546,781
Accounts receivable	130,885	130,345
Grants receivable	9,939	35,713
Prepaid expenses	59,662	6,297
Total Current Assets	2,548,761	1,719,136
PROPERTY AND EQUIPMENT, NET	3,191,522	3,231,509
TOTAL ASSETS	\$ 5,740,283	\$ 4,950,645
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 208,720	\$ 78,056
Accrued expenses	434,671	288,118
Credit card payable	9,190	4,780
Deferred revenue	482	7,629
Capital lease liability, current portion	9,600	-
Loan payable, current portion	1,586,324	49,114
Total Current Liabilities	2,248,987	427,697
LONG TERM LIABILITIES		
Deferred rent	4,264,291	2,611,785
Capital lease liability, net of current portion	9,181	-
Loan payable, net of current portion	-	1,840,550
Total Long Term Liabilities	4,273,472	4,452,335
Total Liabilities	6,522,459	4,880,032
NET (DEFICIT) ASSETS		
Without donor restrictions	(782,176)	70,613
Total Net (Deficit) Assets	(782,176)	70,613
TOTAL LIABILITIES AND NET ASSETS	\$ 5,740,283	\$ 4,950,645

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

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUE AND SUPPORT		
Per pupil appropriations	\$ 8,921,843	\$ 7,849,737
Per pupil facility allowance	1,618,448	1,407,993
Activity fees	519,220	536,244
Federal entitlements and other grants	371,633	259,411
Other public grants	39,806	56,182
Private gifts and contributions	29,636	16,456
In kind contributions	-	100,272
Fundraising event	-	96,052
Other income	357	1,132
Loss on disposal of equipment	(1,173)	-
Total Revenue and Support,	11,499,770	10,323,479
EXPENSES		
Program educational services	10,719,036	9,151,045
General and administrative	1,587,965	1,026,776
Fundraising	45,558	63,088
Total Expenses	12,352,559	10,240,909
CHANGE IN NET ASSETS	(852,789)	82,570
NET ASSETS (DEFICIT), beginning of year		
Without Donor Restrictions	70,613	(11,957)
NET (DEFICIT) ASSETS, end of year		
Without Donor Restrictions	\$ (782,176)	\$ 70,613

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

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Expenses				
Salaries	\$ 5,180,631	\$ 641,556	\$ 27,834	\$ 5,850,021
Benefits	489,214	60,583	2,628	552,425
Payroll taxes	436,185	54,016	2,343	492,544
Recruiting and development	172,358	21,344	-	193,702
Total Personnel Expenses	<u>6,278,388</u>	<u>777,499</u>	<u>32,805</u>	<u>7,088,692</u>
Direct Student Costs				
Supplies and material	69,739	-	-	69,739
Contracted instruction fees	1,000,285	-	-	1,000,285
Food service	273,338	-	-	273,338
Textbooks	44,265	-	-	44,265
Student assessment fees	24,283	-	-	24,283
Other	36,176	-	-	36,176
Total Direct Student Costs	<u>1,448,086</u>	<u>-</u>	<u>-</u>	<u>1,448,086</u>
Occupancy Expense				
Rent	1,785,694	221,136	9,594	2,016,424
Maintenance and repairs	52,371	6,485	282	59,138
Facility consulting expense	-	15,211	-	15,211
Contracted building services	232,924	28,845	1,251	263,020
Total Occupancy Expense	<u>2,070,989</u>	<u>271,677</u>	<u>11,127</u>	<u>2,353,793</u>
Office Expense				
Telephone	16,155	2,001	-	18,156
Supplies	40,264	4,986	-	45,250
Equipment rental	19,478	2,407	-	21,885
Non capitalzied technology	10,591	1,311	-	11,902
Postage and delivery	428	53	-	481
Total Office Expense	<u>86,916</u>	<u>10,758</u>	<u>-</u>	<u>97,674</u>
General Expense				
Depreciation and amortization	487,792	60,289	-	548,081
Insurance	-	42,862	-	42,862
Professional fees	257,269	394,558	400	652,227
Interest	72,422	8,951	-	81,373
Fundraising fee	-	-	1,226	1,226
Dues, fees and fines	17,174	21,371	-	38,545
Total General Expense	<u>834,657</u>	<u>528,031</u>	<u>1,626</u>	<u>1,364,314</u>
Total Expenses	<u><u>\$ 10,719,036</u></u>	<u><u>\$ 1,587,965</u></u>	<u><u>\$ 45,558</u></u>	<u><u>\$ 12,352,559</u></u>

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

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Educational	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	\$ 4,703,418	\$ 307,828	\$ -	\$ 5,011,246
Benefits	476,473	31,184	-	507,657
Payroll taxes	379,005	24,805	-	403,810
Recruiting and development	170,487	-	-	170,487
Total Personnel Expenses	<u>5,729,383</u>	<u>363,817</u>	<u>-</u>	<u>6,093,200</u>
Direct Student Costs				
Supplies and material	76,357	-	-	76,357
Contracted instruction fees	916,578	-	-	916,578
Food service	223,223	-	-	223,223
Textbooks	54,184	-	-	54,184
Student assessment fees	25,027	-	-	25,027
Other	35,329	-	-	35,329
Total Direct Student Costs	<u>1,330,698</u>	<u>-</u>	<u>-</u>	<u>1,330,698</u>
Occupancy Expense				
Rent	878,510	219,628	-	1,098,138
Maintenance and repairs	42,448	10,612	-	53,060
Facility consulting expense	3,509	877	-	4,386
Utilities and garbage removal	2,280	570	-	2,850
Contracted building services	166,262	41,566	-	207,828
Total Occupancy Expense	<u>1,093,009</u>	<u>273,253</u>	<u>-</u>	<u>1,366,262</u>
Office Expense				
Telephone	6,581	1,645	-	8,226
Supplies	44,296	11,074	-	55,370
Printing	90	23	-	113
Equipment rental	22,493	5,623	-	28,116
Postage and delivery	732	183	-	915
Total Office Expense	<u>74,192</u>	<u>18,548</u>	<u>-</u>	<u>92,740</u>
General Expense				
Depreciation and amortization	412,593	103,148	-	515,741
Miscellaneous	2,168	542	-	2,710
Insurance	32,820	8,205	-	41,025
Professional fees	366,178	234,262	-	600,440
Interest	72,805	18,201	-	91,006
Contributions to CFA	10,000	-	-	10,000
Auction items and fees	-	-	63,088	63,088
Dues, fees and fines	27,199	6,800	-	33,999
Total General Expense	<u>923,763</u>	<u>371,158</u>	<u>63,088</u>	<u>1,358,009</u>
Total Expenses	<u><u>\$ 9,151,045</u></u>	<u><u>\$ 1,026,776</u></u>	<u><u>\$ 63,088</u></u>	<u><u>\$ 10,240,909</u></u>

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

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (852,789)	\$ 82,570
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	548,081	515,741
Amortization of deferred financing costs	4,310	4,303
Loss on disposal of equipment	1,173	-
(Increase) decrease in assets:		
Accounts receivable	(540)	(61,194)
Grants receivable	25,774	3,345
Prepaid expenses	(53,365)	19,812
Increase (decrease) in liabilities:		
Accounts payable	130,664	(9,195)
Accrued expenses	146,553	(26,258)
Credit card payable	4,410	(11,030)
Deferred revenue	(7,147)	(43,403)
Deferred rent	1,652,506	844,825
Net Cash Provided by Operating Activities	1,599,630	1,319,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(483,075)	(366,178)
Net Cash Used for Investing Activities	(483,075)	(366,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(7,411)	-
Principal payments on loan	(307,650)	(46,967)
Net Cash Used for Financing Activities	(315,061)	(46,967)
NET CHANGE IN CASH	801,494	906,371
CASH, beginning of year	1,546,781	640,410
CASH, end of year	\$ 2,348,275	\$ 1,546,781
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 76,020	\$ 87,703
SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION		
Acquisition of equipment under capital lease	\$ 26,192	\$ -

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

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE A - ORGANIZATION AND NATURE OF BUSINESS

Creative Minds International Public Charter School (the “School”) was incorporated as a non-stock and not-for-profit organization in 2011 under the laws of the District of Columbia. On July 1, 2012, the School entered into a 15-year Charter School Agreement with the District of Columbia Public Charter School Board. The School’s mission is to provide young children with the skills required for successful participation in a global society. To accomplish the mission, the School designed a highly engaging program based on an international project and arts-based curriculum that includes foreign language instruction as well as standards-based literacy and mathematics.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the School adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Financial Statements of Not-For-Profit organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation - continued

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents.

Grants and Accounts Receivable

Grants and accounts receivable are recorded when billed or accrued and represents claims against third parties that will be settled in cash. Accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. Grants receivables are due from governmental agencies. Due to the nature of funding from the federal government and the District of Columbia, management believes that all receivables will be collected. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment having a cost of greater than \$1,000 and a useful life of greater than one year are stated at cost, or if donated, at fair value. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the asset are capitalized. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. The cost of property and equipment is depreciated over their estimated useful lives, ranging from two to seven years. Depreciation and amortization is computed using the straight-line method.

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Issuance Costs

Costs incurred for the issuance of debt have been capitalized and are reported in the statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense over the remaining period of the debt using the straight-line method, which approximates the effective interest method.

Deferred Revenue

Deferred revenue result from the School recognizing grant and activity fee revenue in the period in which the work is performed. Accordingly, grant and activity fee revenue which is received in the current fiscal year is deferred until the fiscal year in which the work is performed.

Deferred Rent

The School recognizes rent expense, including incentives, on a straight-line basis over the term of the lease. Deferred rent liability records the rent expense recognized on a straight-line basis in excess of cash payments.

Contributions and Grants

Grants and contributions are recognized as revenue in the period in which they are received. Grants are recognized as revenue in the period in which such promises or agreements are made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions with donor restrictions become contributions without donor restrictions when the donor-imposed time restrictions expire, or the funds are used for the donor imposed restricted purpose and are then reclassified in the statements of activities as net assets released from restrictions.

Grant revenues are received primarily from the District of Columbia government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Per Pupil Appropriations

The School receives a student allocation on a per-pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include \$2,952,724 and \$2,701,337 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2019 and 2018, respectively.

Revenue Recognition

All income raised from fundraising events is recognized upon the occurrence of the event.

Activity fees are recognized at the time of the activity. Activity fee revenue is earned from students, but not restricted to, field trips, camps and other school related activities.

Use of Estimates

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

In-kind Contributions

In-kind contributions consist of donated services and goods and are recognized at fair value at the date of the donation. Donated services are recognized when the services donated require specialized skills, are provided by individuals with those skills, and would typically need to be purchased if the services had not been donated. The School received \$0 and \$58,219 of donated auction items for the years ended June 30, 2019 and 2018, respectively.

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked.

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE C – INCOME TAXES

The School is a 501(c)(3) tax exempt organization under Section 501(a) of the Internal Revenue Code. The School is, however, subject to tax on business income unrelated to its exempt purpose. The School is also exempt from the District of Columbia sales and property taxes. The School files information returns as required.

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School’s information tax returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Form 990 information returns for the years ended June 30, 2016 through 2018 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. The School’s sources of liquidity at its disposal include cash and receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

	<u>2019</u>	<u>2018</u>
Cash	\$ 2,348,275	\$ 1,546,781
Current receivable	140,824	166,058
Total Financial Assets	<u>2,489,099</u>	<u>1,712,839</u>
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,489,099</u>	<u>\$ 1,712,839</u>

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE E - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	2019	2018
Computers and materials	\$ 325,850	\$ 268,973
Classroom furniture	379,029	279,054
Leased equipment	26,372	-
Leasehold improvements	4,483,616	4,158,886
	5,214,867	4,706,913
Less: accumulated depreciation and amortization	(2,023,345)	(1,475,404)
Property and Equipment, Net	\$ 3,191,522	\$ 3,231,509

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, totaled \$548,081 and \$515,741, respectively.

NOTE F – CAPITAL LEASES

The School leases certain equipment for which an agreement was signed in fiscal year 2019 that expires July 1, 2021. The following are the future minimum lease payments for the equipment lease for the years ending June 30:

2020	\$ 9,600
2021	9,420
2022	786
	19,806
Less: Interest payments	(1,025)
Total	\$ 18,781

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE G - LOAN PAYABLE

On March 26, 2015, the School signed a loan agreement with the District of Columbia Office of Public Charter School Financing and Support to finance up to \$2,000,000 of renovations. This loan was modified on June 20, 2016 for the schedule of payments. The terms of the loan are quarterly interest payments only, through March 2016, at 4.5% per annum. After that, loan payments shall be made quarterly for interest and principal based upon a 25 - year amortization, with a balloon payment scheduled at maturity of March 2020. Management expects to refinance this debt before this maturity date. This loan is collateralized with a first lien on the leasehold improvements on the property located at 3700 North Capitol Street, NW, Washington, D.C. As of June 30, 2019 and 2018, the balance on this loan totaled \$1,589,554 and \$1,897,204, respectively.

The loan agreement contains certain restrictive, financial and nonfinancial covenants. In the opinion of the management the School has complied with the required covenants for 2019 and 2018.

Deferred financing costs and accumulated amortization are as follows at June 30:

	2019	2018
Deferred financing costs	\$ 21,534	\$ 21,534
Less: accumulated amortization	(18,304)	(13,994)
	\$ 3,230	\$ 7,540

For the years ended June 30, 2019 and 2018, interest expense, including debt issuance costs, totaled \$81,373 and \$91,006, respectively. Amortization of debt issuance costs totaled \$4,310 and \$4,303 for the years ended June 30, 2019 and 2018, respectively.

NOTE H - LEASE COMMITMENTS

On February 9, 2015, the School entered into a ten-year agreement with the Armed Forces Retirement Home to lease space in the Sherman Building, located at 3700 North Capitol Street, N.W., Washington, D.C. This lease was amended in 2016 for additional space to meet the School's growing requirements. The monthly lease payments are based on the square footage area occupied by the School and decreased by the approved leasehold improvement incentives for repair, maintenance, renovation, remodel or upgrading the building. In August 2018, there was another modification to this lease to extend the lease term from ten to thirty years with a new end date of July 31, 2045. As of June 30, 2019 and 2018, approved in-kind leasehold improvements totaled \$3,495,780 and \$2,700,842, respectively.

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE H – LEASE COMMITMENTS - continued

Rental expense for the years ended June 30, 2019 and 2018, totaled \$2,016,424 and \$1,098,138, respectively. The future minimum lease payments for the years ending June 30 are as follows:

2020	\$ 1,430,936
2021	1,563,742
2022	1,606,745
2023	1,650,931
2024	1,696,331
Thereafter	48,910,676
Total	\$ 56,859,361

NOTE I – PENSION PLAN

The Creative Minds International 401(K) Profit Sharing Plan and Trust (the “Plan”) was restated as of January 1, 2014. All employees who are at least 21 years of age and meet 1,000 hours of service per year are eligible to participate in the Plan. Employees may make elective deferral from their eligible earnings, up to the amount allowed by the Internal Revenue Service. The School matches the first three percent of a participant’s compensation that is deferred as an elective deferral. For the years ended June 30, 2019 and 2018, pension expense totaled \$70,477 and \$63,122, respectively.

NOTE J - COMMITMENTS AND CONTINGENT LIABILITIES

The School receives revenues from government grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the government. The School is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the financial statements.

NOTE K - CONCENTRATIONS OF RISK

The School places its cash with financial institutions which at times, may exceed the Federal Deposit Insurance Corporation’s insurance limit of \$250,000. As of June 30, 2019 and 2018, the School had cash that exceeded federally insured limits by approximately \$2,113,000 and \$1,270,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE K - CONCENTRATIONS OF RISK – continued

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2019 and 2018, 99% and 98%, respectively, of total revenue was provided from one local government agency. Reduction of this source of support would have a significant impact on the School's programs and activities.

NOTE L - SUBSEQUENT EVENTS

In preparing these financial statements, the management of the School has evaluated subsequent events and transactions through the date of the auditors' report, November 19, 2019, which is the date these financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required recognition or additional disclosure in these financial statements.



INDEPENDENT AUDITOR'S 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

The Board of Trustees
Creative Minds International Public Charter School
Washington, DC

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 Creative Minds International Public Charter School, (a non-profit organization) (the "School"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2019.

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) to determine the 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. 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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jane Marusa & McQuade PA

Washington, DC
November 19, 2019

**SUPPLEMENTAL SCHEDULES
REQUIRED BY DCPCSB**

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
Advanced Medical Personnel Services, Inc.	OT/SpED services	\$ 30,135
Aetna	Medical coverage	481,060
Amtrust North America	Workers Comp Insurance	45,520
Armed Forces Retirement Home (AFRH)	Rent	2,016,424
Bert Corona Leadership Institute	Contracted Spanish teacher	37,800
Blue Force Security Services, LLC	Security services	38,498
C. J. Maintenance, Inc	Janitorial services	222,372
Carney, Sandoe & Associates	Staffing search service	38,940
Conaboy & Associates, Inc.	Special Education services	34,332
DC Public Charter School Board	Authorizer fee	100,797
DC Treasurer	Loan payments	383,739
Dell Marketing LP.	Technology purchases	45,073
Dynamic Network Solutions	IT support services	133,930
EdOps	Finance and data services	179,812
Ellis Therapeutic Consultants	Special Education services	368,445
Elsie Whitlow Stokes Community Freedom PCS	Contracted food services	242,035
Enriched Schools	Contracted substitute teachers	289,643
Hertz Furniture	Furniture purchases	80,900
Jennifer Andruzzi	Marketing and communication consultant	35,279
Joseph Gorin	Special Education evaluation services	65,300
Kelly Services Inc	Contracted substitute teachers	50,501
Linda Kern	Settlement payment	36,000
MCN Builds, LLC	Building renovations	299,749
MetLife	Dental and disability coverage	62,050
Urban Teachers	Teacher resident	30,000
W.B. MASON	Office and classroom supplies and technology purchases	63,673

Note: The above schedule includes all vendors/contractors paid equal to or greater than or \$25,000 for which either a formal contract was executed or no formal contract was entered into, executed or negotiated.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL
 SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED OVER \$25,000
 YEAR ENDED JUNE 30, 2019**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approximately</u>
Align Staffing	Substitute Teacher Services (Staffing)	25,000
FieldWork Education	IMYC / IPC Curriculum and Professional Development	25,000
Swing Education	Substitute Teacher Services (Staffing)	25,000
The Floortime Center	Special Education Services - Speech/Language/OT/ Evaluations	25,000

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2019 for services that will equal to or more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2019.