

**CREATIVE MINDS INTERNATIONAL  
PUBLIC CHARTER SCHOOL**

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

**JUNE 30, 2020 AND 2019**

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## 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, 2020 and 2019, 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, 2020 and 2019, 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 20-21, 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, 2020, 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.

## **Emphasis of Matter**

As discussed in Note B to the financial statements, in 2020, Creative Minds International Public Charter School adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Jane Marusa & McQuade PA*

Washington, DC  
November 19, 2020,  
Except for Note H, as to which the date is June 24, 2021

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 4,420,480	\$ 2,348,275
Accounts receivable	212,985	130,885
Grants receivable	51,129	9,939
Prepaid expenses	65,217	59,662
Total Current Assets	4,749,811	2,548,761
<b>PROPERTY AND EQUIPMENT, NET</b>	3,285,793	3,191,522
<b>TOTAL ASSETS</b>	\$ 8,035,604	\$ 5,740,283
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 213,488	\$ 208,720
Accrued expenses	611,132	434,671
Credit card payable	4,190	9,190
Deferred revenue	9,880	482
Capital lease liability, current portion	24,054	9,600
Loan payable, current portion	47,510	1,586,324
Total Current Liabilities	910,254	2,248,987
<b>LONG TERM LIABILITIES</b>		
Deferred rent	4,752,784	4,264,291
Capital lease liability, net of current portion	33,905	9,181
Loan payable, net of current portion	3,214,055	-
Total Long Term Liabilities	8,000,744	4,273,472
Total Liabilities	8,910,998	6,522,459
<b>NET DEFICIT</b>		
Without donor restrictions	(891,071)	(782,176)
With donor restrictions	15,677	-
Total Net Deficit	(875,394)	(782,176)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 8,035,604	\$ 5,740,283

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

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions Total
<b>REVENUE AND SUPPORT</b>				
Per pupil appropriations	\$ 9,813,301	\$ -	\$ 9,813,301	\$ 8,921,843
Per pupil facility allowance	1,727,530	-	1,727,530	1,618,448
Federal entitlements and other grants	458,609	-	458,609	371,633
Activity fees	308,052	-	308,052	519,220
Other public grants	16,612	-	16,612	39,806
Private gifts and contributions	3,639	60,691	64,330	29,636
In kind contributions	16,308	-	16,308	-
Other income	20,307	-	20,307	357
Gain (loss) on disposal of equipment	121	-	121	(1,173)
Net assets released from restrictions	45,014	(45,014)	-	-
Total Revenue and Support,	<u>12,409,493</u>	<u>15,677</u>	<u>12,425,170</u>	<u>11,499,770</u>
<b>EXPENSES</b>				
Program educational services	10,605,892	-	10,605,892	10,719,036
General and administrative	1,849,566	-	1,849,566	1,587,965
Fundraising	62,930	-	62,930	45,558
Total Expenses	<u>12,518,388</u>	<u>-</u>	<u>12,518,388</u>	<u>12,352,559</u>
<b>CHANGE IN NET ASSETS</b>	(108,895)	15,677	(93,218)	(852,789)
<b>NET (DEFICIT) ASSETS, beginning of year</b>				
Without Donor Restrictions	<u>(782,176)</u>	<u>-</u>	<u>(782,176)</u>	<u>70,613</u>
<b>NET DEFICIT, end of year</b>				
Without Donor Restrictions	<u>\$ (891,071)</u>	<u>\$ 15,677</u>	<u>\$ (875,394)</u>	<u>\$ (782,176)</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, 2020**

	<b>Program Educational Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel Expenses</b>				
Salaries	\$ 6,009,873	\$ 925,733	\$ 42,851	\$ 6,978,457
Benefits	498,869	76,843	3,557	579,269
Payroll taxes	516,665	79,584	3,684	599,933
Recruiting and development	106,487	16,403	-	122,890
Total Personnel Expenses	<u>7,131,894</u>	<u>1,098,563</u>	<u>50,092</u>	<u>8,280,549</u>
<b>Direct Student Costs</b>				
Supplies and material	54,820	-	-	54,820
Contracted instruction fees	677,996	-	-	677,996
Food service	308,805	-	-	308,805
Textbooks	76,894	-	-	76,894
Student assessment fees	25,634	-	-	25,634
Other	23,274	-	-	23,274
Total Direct Student Costs	<u>1,167,423</u>	<u>-</u>	<u>-</u>	<u>1,167,423</u>
<b>Occupancy Expense</b>				
Rent	1,442,011	222,121	10,281	1,674,413
Maintenance and repairs	12,374	1,906	88	14,368
Facility consulting expense	-	5,500	-	5,500
Contracted building services	184,591	28,434	1,316	214,341
Total Occupancy Expense	<u>1,638,976</u>	<u>257,961</u>	<u>11,685</u>	<u>1,908,622</u>
<b>Office Expense</b>				
Telephone	29,370	4,524	-	33,894
Supplies	49,544	7,631	-	57,175
Equipment rental	19,266	2,967	-	22,233
Non capitalized technology	10,548	1,625	-	12,173
Janitorial services	14,962	2,305	106	17,373
Utility and garbage removal	2,131	328	16	2,475
Printing and publication	1,932	297	-	2,229
Postage and delivery	584	90	-	674
Total Office Expense	<u>128,337</u>	<u>19,767</u>	<u>122</u>	<u>148,226</u>
<b>General Expense</b>				
Depreciation and amortization	198,865	30,190	-	229,055
Insurance	-	47,456	-	47,456
Professional fees	257,018	355,122	-	612,140
Donated goods	700	225	-	925
Interest and amortization	82,679	12,736	-	95,415
Bad debt	-	3,580	-	3,580
Fundraising fee	-	-	1,031	1,031
Dues, fees and fines	-	23,966	-	23,966
Total General Expense	<u>539,262</u>	<u>473,275</u>	<u>1,031</u>	<u>1,013,568</u>
<b>Total Expenses</b>	<u><u>\$ 10,605,892</u></u>	<u><u>\$ 1,849,566</u></u>	<u><u>\$ 62,930</u></u>	<u><u>\$ 12,518,388</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, 2019**

	<b>Program Educational Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel Expenses</b>				
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>
<b>Direct Student Costs</b>				
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>
<b>Occupancy Expense</b>				
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>
<b>Office Expense</b>				
Telephone	16,155	2,001	-	18,156
Supplies	40,264	4,986	-	45,250
Equipment rental	19,478	2,407	-	21,885
Non capitalized 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>
<b>General Expense</b>				
Depreciation and amortization	487,792	60,289	-	548,081
Insurance	-	42,862	-	42,862
Professional fees	257,269	394,558	400	652,227
Interest and amortization	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>
<b>Total Expenses</b>	<u>\$ 10,719,036</u>	<u>\$ 1,587,965</u>	<u>\$ 45,558</u>	<u>\$ 12,352,559</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, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (93,218)	\$ (852,789)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	229,055	548,081
Amortization of deferred financing costs	5,404	4,310
Loss on disposal of equipment	(121)	1,173
(Increase) decrease in assets:		
Accounts receivable	(82,100)	(540)
Grants receivable	(41,190)	25,774
Prepaid expenses	(5,555)	(53,365)
Increase (decrease) in liabilities:		
Accounts payable	4,768	130,664
Accrued expenses	176,461	146,553
Credit card payable	(5,000)	4,410
Deferred revenue	9,398	(7,147)
Deferred rent	488,493	1,652,506
Net Cash Provided by Operating Activities	686,395	1,599,630
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	270	-
Purchase of property and equipment	(267,389)	(483,075)
Net Cash Used for Investing Activities	(267,119)	(483,075)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease	(16,908)	(7,411)
Proceeds from loans	1,727,036	-
Principal payments on loan	(57,199)	(307,650)
Net Cash Provided by (Used for) Financing Activities	1,652,929	(315,061)
<b>NET CHANGE IN CASH</b>	2,072,205	801,494
<b>CASH, beginning of year</b>	2,348,275	1,546,781
<b>CASH, end of year</b>	\$ 4,420,480	\$ 2,348,275
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 90,011	\$ 76,020
<b>SUPPLEMENTAL DISCLOSURE OF NON CASH INFORMATION</b>		
Acquisition of equipment under capital lease	\$ 56,086	\$ 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, 2020 AND 2019**

**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, 2020, the School adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all Generally Accepted Accounting Principles (“GAAP”) revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The School has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The School has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the School’s implementation of ASU 2018-08.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial Statement Presentation

Financial statement presentation follows 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:

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.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

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 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.

Revenue Recognition

*Grants and Contributions*

The School recognize grants and contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Revenue Recognition (continued)

*Per Pupil Appropriations, Facilities Allowance, and Federal Entitlements, and Other Government Grants*

Revenues are received primarily from state and federal government agencies, including the District of Columbia Office of the State Superintendent of Education, District of Columbia Public Charter School Board, the U.S. Department of Education, and other agencies. These revenues are considered conditional grants with a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been substantially met. These grants are also subject to audit by the grantor agencies, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Per pupil appropriations include \$2,895,107 and \$2,622,742 for enhancements, such as special education, at-risk students and English language learners, for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, the School received a conditional promise to give in the amount of \$740,451 that is expected to be fulfilled within the year following the School's 2020 fiscal year-end.

*Program Service Fees*

Program service fees are revenue primarily derived from before and after-care programs, paid meal plans, and various student activities (e.g., fieldtrips, intramural sports, special events, etc.), which is recognized when the services are provided.

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 \$16,308 and \$0 of donated goods for the years ended June 30, 2020 and 2019, respectively.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

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.

**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, 2017 through 2019 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.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued**

The following reflects the School’s financial assets as of June 30:

	2020	2019
Cash	\$ 4,420,480	\$ 2,348,275
Current receivable	264,114	140,824
Total Financial Assets	4,684,594	2,489,099
Encumbered met assets with donor restrictions for the next one year		
Total Financial Assets Available to meet	(15,677)	-
Cash Needs for General Expenditures Within One Year	\$ 4,668,917	\$ 2,489,099

**NOTE E - PROPERTY AND EQUIPMENT**

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

	2020	2019
Computers and materials	\$ 334,154	\$ 325,850
Classroom furniture	423,335	379,029
Leased equipment	82,458	26,372
Construction in progress	214,522	-
Leasehold improvements	4,483,616	4,483,616
	5,538,085	5,214,867
Less: accumulated depreciation and amortization	(2,252,292)	(2,023,345)
Property and Equipment, Net	\$ 3,285,793	\$ 3,191,522

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, totaled \$229,055 and \$548,081, 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.

During fiscal year 2020, the School signed two lease agreements for equipment that will expire February 2024.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE F – CAPITAL LEASES - continued**

The following are the future minimum lease payments for the equipment lease for the years ending June 30:

2021		\$ 26,393
2022		17,759
2023		11,143
2024		7,074
		62,369
Less: Interest payments		(4,410)
Total		\$ 57,959

**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.

On March 27, 2020, the School signed a loan agreement with the with the District of Columbia Office of Public Charter School Financing and Support to convert the outstanding balance of 2015 loan of \$1,575,840 and obtain additional financing of \$424,159 for renovations for a total of \$2,000,000. The terms of the loan are quarterly interest payments only, through March 2020, at 3.75% per annum. After that, quarterly payment of \$30,906 for principle and interest are due each quarter with a balloon payment due on March 26, 2025. 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, 2020 and 2019, the balance on this loan totaled \$2,000,000 and \$1,589,554, 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 2020 and 2019.

On May 1, 2020, the School secured \$1,302,877 with the Bank of America, (the “Lender”) under the Small Business Administration’s (“SBA”) Paycheck Protection Plan (“PPP”) that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest and utility costs over a period specified in the loan document after the loan is made. If the SBA does not confirm forgiveness of the loan then the School will repay the lender the total outstanding balances based on the terms in a separate letter to be provided to the School. The PPP loan balance for the year ended June 30, 2020, totaled \$1,302,877.



**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE G - LOAN PAYABLE - continued**

The following are the future minimum loan payments for the years ending June 30:

2021	\$	47,510
2022		1,353,996
2023		53,063
2024		55,081
2025		1,793,227
Total		3,302,877
Less: deferred financing costs, net of accumulated amortization		(41,312) \$ 3,261,565

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

	2020	2019
Deferred financing costs	\$ 65,020	\$ 21,534
Less: accumulated amortization	(23,708)	(18,304)
	\$ 41,312	\$ 3,230

For the years ended June 30, 2020 and 2019, interest expense, including debt issuance amortization expense, totaled \$95,415 and \$81,373, respectively. Amortization of debt issuance costs totaled \$5,404 and \$4,310 for the years ended June 30, 2020 and 2019, 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. The last amendment was dated November 22, 2019, for additional, yet to be determined, space rental as of August 1, 2020 at the area pf \$11.20 per square foot for the first year

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE H - LEASE COMMITMENTS** – continued

with an inflation rate of 1.6% each year thereafter and a rental holiday for the period August 1, 2020 through November 1, 2020.

As of June 30, 2020 and 2019, approved in-kind leasehold improvements totaled \$3,749,948 and \$2,700,843, respectively. On June 24, 2021, it was brought to the auditors attention that the approved in-kind leasehold improvements totaled \$3,495,780, as of June 30, 2019.

Rental expense for the years ended June 30, 2020 and 2019, totaled \$1,674,413 and \$2,016,424, respectively. The future minimum lease payments for the years ending June 30 are as follows:

2021	\$ 1,505,911
2022	1,554,827
2023	1,579,704
2024	1,604,980
2025	1,630,659
Thereafter	<u>38,876,557</u>
Total	<u><u>\$ 46,752,638</u></u>

**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, 2020 and 2019, pension expense totaled \$89,922 and \$70,477, respectively.

**NOTE J - 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, 2020 and 2019, the School had cash that exceeded federally insured limits by approximately \$4,174,000 and \$2,113,000 respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

The School is supported primarily through local and federal appropriations and grants. For the years ended June 30, 2020 and 2019, 92% and 91%, 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.

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**  
(continued)

**NOTE K- NET ASSETS WITH DONOR RESTRICTIONS**

For the year ended June 30, 2020, net assets with donor restrictions was as follows:

Text books	\$	5,770
Chinese language and culture promotion		9,880
Other		<u>27</u>
Total	\$	<u><u>15,677</u></u>

**NOTE L - 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 M - 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, 2020, 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, 2020, 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, 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) 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.

*James M. Murrell & M. A. Quade PA*

Washington, DC  
November 19, 2020

**SUPPLEMENTAL SCHEDULES  
REQUIRED BY DCPCSB**

**CREATIVE MINDS INTERNATIONAL PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000  
YEAR ENDED JUNE 30, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Amount Paid</u>
Armed Forces Retirement Home	Rent and security services	\$ 1,695,746
Aetna	Medical Insurance	504,920
Amazon Capital Services	Various supplies purchased throughout the year	58,381
Bellwether	Strategic planning and assessment services	75,450
C. Maintenance, Inc	Janitorial services	174,970
Conaboy & Associates, Inc.	Contracted Special Education services	62,415
Correia & Puth PLLC	Legal services	35,000
DC Public Charter School Board	Authorizer fee	109,681
DC Treasurer	Interest and principal payments on OSSE loan	1,695,334
Dynamic Network Solution	IT support services	88,845
EdOps	Financial, accounting and data management services	149,767
Ellis Therapeutic Consultants	Contracted Special Education services	43,055
Elsie Whitlow Stokes Community Freedom PCS	Contracted food services	203,608
Emmanuel Taiwo	Contracted Special Education consultant	78,150
Enriched Schools	Contracted substitute teacher services	132,661
Genuine Foods	Meal delivery services	86,896
Joseph Gorin	Contracted SpEd services	26,500
MetLife	Dental and short term disability coverage	81,988
NewMan Architects	Architect services for building construction	145,460
Tolbert Music LLC	Contracted music instructor	55,000
Urban Teachers	Five teacher residents	152,500
Whiting-Turner	Building construction services	62,621
Young and Well	Contracted Special Education services	51,194

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, 2020**

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Approximately</u>
Advanced Personnel Services	Substitute Teacher Services (Staffing)	\$ 50,000
Aetna	Insurance	300,000
Align Staffing	Substitute Teacher Services (Staffing)	25,000
Armed Forces Retirement Services (AFRH)	Landlord - Facilities/Rent	1,810,000
C.J Maintenance	Janitorial and Cleaning	225,000
Carney Sandoe	Senior Leadership Search (Staffing)	30,000
Conaboy & Associations	Special Education	48,000
Copier Workshop, Inc.	Printing / Copier Services	30,000
DC Public Charter School Board	Authorizer Fee	110,000
DC Treasurer	OSSE Loan Services	330,000
Dynamic Network Solutions	IT Infrastructure and Services	50,000
Ed-Ops	Financial and accounting services	165,000
Ellis Therapeutic Consultants	Special Education Services - Speech/Language/Evaluations	30,000
Elsie Whitlow Stokes Kitchen	School Meals (NSLP Program)	250,000
Enriched Schools	Substitute Teacher Services (Staffing)	250,000
FieldWork Education	Curriculum and Professional Development	25,000
Joseph Gorin	Special Education Services - Evaluations	65,000
Kelly Services	Substitute Teacher Services (Staffing)	45,000
Metlife	Insurance	70,000
Swing Education	Substitute Teacher Services (Staffing)	25,000
The Floortime Center	Special Education Services - Speech/Language/Evaluations	25,000
Urban Teachers	Substitute Teacher Services (Staffing)	40,000

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2020 for services that will amount to more than \$25,000 over the term of the contract, services have not begun, not had anything been paid as of June 30, 2020.