



Financial Statements

For the Years Ended June 30, 2020 and 2019



**and
Report Thereon**



**Reports Required in Accordance with
the Uniform Guidance**

For the Year Ended June 30, 2020



DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

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For the Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
District of Columbia International School

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia International School (DCI), which comprises 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.

Auditors' 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 auditors' 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.

Continued

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia International 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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Required Regulatory Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of vendor contracts \$25,000 and above is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, although not a part of the financial statements, is required by the D.C. Public School Charter Board and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020 on our consideration of DCI'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 solely 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 the effectiveness of DCI's 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 DCI's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
November 25, 2020

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 18,490,566	\$ 12,160,025
Accounts receivable	43,390	90,730
Grants receivable	486,548	262,364
Prepaid expenses	206,607	606,134
Total Current Assets	19,227,111	13,119,253
Fixed assets		
Furniture, fixtures and equipment	1,289,489	1,138,798
Computer equipment	885,054	664,124
Leasehold improvements	53,779,898	53,779,898
Contributed land lease	1,760,000	1,760,000
Total Fixed Assets	57,714,441	57,342,820
Less: Accumulated Depreciation and Amortization	(7,157,039)	(4,464,024)
Fixed Assets, Net	50,557,402	52,878,796
Other assets		
Restricted cash	5,061,542	1,601,865
Deferred rent receivable	-	120,084
Deposits	122,101	122,101
Interest rate cap	-	5,568
Total Other Assets	5,183,643	1,849,618
TOTAL ASSETS	\$ 74,968,156	\$ 67,847,667
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,492,071	\$ 835,402
Accrued payroll and benefits	644,931	510,380
Deferred revenue	-	39,560
Notes payable, current portion	535,000	1,237,971
Total Current Liabilities	2,672,002	2,623,313
Sublease deposit	130,166	130,166
Notes payable, net of current portion	57,645,515	53,262,120
TOTAL LIABILITIES	60,447,683	56,015,599
NET ASSETS		
Without donor restrictions	12,942,543	10,116,514
With donor restrictions	1,577,930	1,715,554
TOTAL NET ASSETS	14,520,473	11,832,068
TOTAL LIABILITIES AND NET ASSETS	\$ 74,968,156	\$ 67,847,667

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Per pupil funding allocation	\$ 20,913,372	\$ -	\$ 20,913,372	\$ 16,338,428	\$ -	\$ 16,338,428
Per pupil funding – facilities allowance	4,215,440	-	4,215,440	3,462,043	-	3,462,043
Federal entitlements and grants	1,405,249	-	1,405,249	959,766	-	959,766
State government grants and contributions	56,524	-	56,524	150,562	-	150,562
Private grants and contributions	461,917	105,845	567,762	515,279	212,255	727,534
Student activity fees	295,630	-	295,630	427,591	-	427,591
Rental income	663,416	-	663,416	606,628	-	606,628
Other income	301,833	-	301,833	136,624	-	136,624
Net assets released from restriction:						
Satisfaction of time restrictions	60,690	(60,690)	-	60,690	(60,690)	-
Satisfaction of program restrictions	182,779	(182,779)	-	179,748	(179,748)	-
TOTAL REVENUE AND OTHER SUPPORT	28,556,850	(137,624)	28,419,226	22,837,359	(28,183)	22,809,176
EXPENSES						
Educational Services	23,049,371	-	23,049,371	19,864,482	-	19,864,482
Supporting Services:						
General and administrative	1,804,053	-	1,804,053	1,545,384	-	1,545,384
Fundraising	241,343	-	241,343	273,928	-	273,928
Total Supporting Services	2,045,396	-	2,045,396	1,819,312	-	1,819,312
TOTAL EXPENSES	25,094,767	-	25,094,767	21,683,794	-	21,683,794
Change in net assets before change in fair value of interest rate cap	3,462,083	(137,624)	3,324,459	1,153,565	(28,183)	1,125,382
Loss on retirement of notes payable	(630,486)	-	(630,486)	-	-	-
Change in fair value of interest rate cap	(5,568)	-	(5,568)	(140,411)	-	(140,411)
CHANGE IN NET ASSETS	2,826,029	(137,624)	2,688,405	1,013,154	(28,183)	984,971
NET ASSETS, BEGINNING OF YEAR	10,116,514	1,715,554	11,832,068	9,103,360	1,743,737	10,847,097
NET ASSETS, END OF YEAR	\$ 12,942,543	\$ 1,577,930	\$ 14,520,473	\$ 10,116,514	\$ 1,715,554	\$ 11,832,068

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019**

	2020				2019			
	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising	Total
Personnel, Salaries and Benefits:								
Teaching/staff salaries	\$ 8,740,175	\$ 400	\$ 400	\$ 8,740,975	\$ 6,318,786	\$ 25	\$ 25	\$ 6,318,836
Student support salaries	1,191,515	75,197	-	1,266,712	748,650	70,893	-	819,543
Leadership salaries	1,441,897	234,202	54,515	1,730,614	1,376,888	235,602	52,069	1,664,559
Employee benefits	1,432,785	118,664	15,875	1,567,324	909,200	76,658	13,588	999,446
Office and administrative staff	234,711	651,608	73,700	960,019	184,232	420,984	76,859	682,075
Payroll taxes	973,570	80,632	10,787	1,064,989	680,063	57,339	10,163	747,565
Other personnel expenses	364,817	30,214	4,042	399,073	354,616	29,899	5,300	389,815
Staff development expense	191,439	15,855	2,121	209,415	182,728	15,406	2,731	200,865
Total Personnel, Salaries and Benefits	14,570,909	1,206,772	161,440	15,939,121	10,755,163	906,806	160,735	11,822,704
Direct Student Costs:								
Student travel/transportation	296,205	-	-	296,205	465,671	-	-	465,671
Student supplies and materials	354,508	-	-	354,508	335,856	-	-	335,856
Contracted instruction	187,710	-	-	187,710	265,948	-	-	265,948
Food service	156,185	-	-	156,185	244,670	-	-	244,670
Textbooks	32,101	-	-	32,101	16,168	-	-	16,168
Other student costs	193,505	-	-	193,505	180,768	-	-	180,768
Student assessment materials	46,512	-	-	46,512	26,362	-	-	26,362
Total Direct Student Costs	1,266,726	-	-	1,266,726	1,535,443	-	-	1,535,443
Occupancy Expenses:								
Interest	2,167,705	179,531	24,017	2,371,253	2,907,326	245,127	43,450	3,195,903
Contracted building services	449,496	37,228	4,980	491,704	527,981	44,516	7,891	580,388
Other occupancy costs	641,516	53,131	7,108	701,755	617,903	52,098	9,235	679,236
Rent	110,351	9,139	1,223	120,713	105,118	8,863	1,571	115,552
Amortization of deferred financing costs	28,913	2,394	320	31,627	194,369	16,388	2,905	213,662
Maintenance and repairs	405,687	33,599	4,495	443,781	187,218	15,785	2,798	205,801
Janitorial supplies	15,781	1,307	175	17,263	1,807	152	27	1,986
Total Occupancy Expenses	3,819,449	316,329	42,318	4,178,096	4,541,722	382,929	67,877	4,992,528

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

Continued

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

**STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019**

(continued)

	2020				2019			
	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising	Total
Office Expenses:								
Telephone/telecommunications	\$ 43,855	\$ 3,632	\$ 486	\$ 47,973	\$ 43,354	\$ 3,655	\$ 648	\$ 47,657
Office supplies and materials	98,449	8,154	1,091	107,694	57,672	4,862	862	63,396
Computer support fees	90,586	7,502	1,004	99,092	43,013	3,627	643	47,283
Equipment rental and maintenance	28,333	2,347	314	30,994	28,661	2,416	428	31,505
Postage and shipping	1,987	165	22	2,174	2,681	226	40	2,947
Total Office Expenses	263,210	21,800	2,917	287,927	175,381	14,786	2,621	192,788
General Expenses:								
Accounting, auditing and payroll	120,594	9,988	1,336	131,918	125,253	10,560	1,872	137,685
Authorizer fee	219,767	18,201	2,435	240,403	192,621	16,241	2,879	211,741
Business fees and dues	62,693	5,192	695	68,580	62,612	5,279	936	68,827
Insurance	58,872	4,876	652	64,400	54,836	4,623	820	60,279
Other professional fees	35,043	2,902	388	38,333	113,630	9,581	1,698	124,909
Legal fees	80,051	6,630	887	87,568	17,735	1,495	265	19,495
Other expenses	90,210	7,471	999	98,680	82,647	6,968	1,235	90,850
Total General Expenses	667,230	55,260	7,392	729,882	649,334	54,747	9,705	713,786
Depreciation and amortization expense	2,461,847	203,892	27,276	2,693,015	2,207,439	186,116	32,990	2,426,545
TOTAL EXPENSES	\$ 23,049,371	\$ 1,804,053	\$ 241,343	\$ 25,094,767	\$ 19,864,482	\$ 1,545,384	\$ 273,928	\$ 21,683,794

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,688,405	\$ 984,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on interest rate cap	5,568	140,411
Depreciation and amortization	2,693,015	2,426,545
Contributed land lease	-	-
Amortization of deferred financing costs	31,627	213,662
Loss on retirement of notes payable	630,486	-
Amortization of bond premium	(240,905)	-
Changes in assets and liabilities:		
Accounts receivable	47,340	137,634
Grants receivable	(224,184)	101,855
Prepaid expenses	399,527	76,650
Deferred rent receivable	120,084	21,672
Deposits	-	85,401
Accounts payable and accrued expenses	656,669	329,084
Accrued payroll and benefits	134,551	162,712
Deferred revenue	(39,560)	(192,977)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,902,623	4,487,620
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(371,621)	(4,356,340)
NET CASH USED IN INVESTING ACTIVITIES	(371,621)	(4,356,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	59,451,380	3,330,866
Principal payments on long-term debt	(55,130,577)	(614,034)
Acquisition of loan financing costs	(1,061,587)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,259,216	2,716,832
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	9,790,218	2,848,112
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	13,761,890	10,913,778
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	\$ 23,552,108	\$ 13,761,890
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,327,284	\$ 2,937,932

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

Organization

The District of Columbia International School (DCI), a District of Columbia not-for-profit corporation, was incorporated on October 4, 2012, exclusively for educational purposes. DCI operates as a single-school local education agency and District of Columbia public charter school, and was chartered under the authority of the District of Columbia Public Charter School Board. DCI is a Middle and High School offering language immersion and inquiry-based learning. DCI currently offers the world-renowned International Baccalaureate Middle Years Program for students in the sixth through 10th grade, and the Diploma and Career Program authorized for 11th and 12th grade. DCI's first class graduated in 2020. Advanced language programs are offered for Chinese, French and Spanish.

DCI is a cooperative, collaborative school founded by five language immersion public charter schools. These schools have amended their charters to include a secondary program for grades 6-12 at a new educational campus, and assigned such authority to DCI.

DCI member schools include the following:

- DC Bilingual Public Charter School
- Elsie Whitlow Stokes Community Freedom Public Charter School
- Latin American Montessori Bilingual Public Charter School
- Mundo Verde Bilingual Public Charter School
- Washington Yu Ying Public Charter School

It is the mission of DCI to inspire inquiring, engaged, knowledgeable and caring secondary students who are multilingual, culturally competent, and committed to proactively creating a socially just and sustainable world.

DCI's primary sources of support are local appropriations for charter schools from the District of Columbia. DCI also receives federal entitlement funding through the Office of the State Superintendent of Education.

Basis of Accounting

DCI prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Cash Equivalents

Cash equivalents consist of money market funds. DCI considers all money market funds to be cash equivalents.

Restricted Cash

Under the terms of a certain note payable agreement, DCI is required to maintain cash balances restricted for debt service reserves. This restricted cash is separately reported in the accompanying statements of financial position.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Accounts and Grants Receivable

Accounts and grants receivable are primarily from the federal government, the District of Columbia and a sublease agreement with the Latin American Montessori Bilingual Public Charter School. Unconditional grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. DCI uses the allowance method to record potentially uncollectible accounts. Management determines the allowance for probable uncollectible receivables by reviewing all outstanding receivables for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible. As of June 30, 2020 and 2019, all accounts and grants receivable were due to be collected in less than one year and were considered fully collectible.

Fixed Assets and Related Depreciation and Amortization

Furniture, fixtures and equipment, leasehold improvements, and construction in progress are recorded at cost and include items with a cost greater than \$1,000 and an estimated useful life in excess of one year. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which include three to five years for furniture, fixtures and equipment. Leasehold improvements are amortized using the straight-line method over the remaining life of the lease. Construction in progress is not depreciated until the construction is completed and the asset is placed in service. Expenditures for major repairs and improvements are capitalized, while expenditures for minor repairs and maintenance costs are expensed when incurred.

Deferred Financing Costs

Deferred financing costs are presented as a reduction of the carrying amount of the related debt liability and the related amortization charge is included in interest expense. Deferred financing costs are amortized over the term of the loan using the effective yield method required by accounting principles generally accepted in the United States of America (GAAP).

Classification of Net Assets

DCI's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of DCI at the discretion of DCI's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has not designated any of DCI's net assets without donor restrictions.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of DCI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of June 30, 2020, DCI had no net assets with donor restrictions that are required to be maintained in perpetuity.

Continued

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Federal and Charter School Funding

DCI receives a per pupil allocation from the District of Columbia to cover the cost of academic and facilities expenses. Per pupil allocation revenue is recognized in the period in which performance obligations are met, which is the school year for which the allocation is made. Per pupil allocation has one performance obligation, to operate a school for students of certain ages in middle school and high school grades. Therefore, performance obligations are satisfied for per pupil revenue over time, which aligns with the school year. The per pupil allocation does not include significant financing components as performance obligations are satisfied within a year of receipt of payment. There are no consideration amounts that are variable. As per pupil allocation is contractually due by year-end, the accounts receivable (if any) is an asset of DCI as of June 30. Contract liabilities are classified on the balance sheet as deferred revenue, which includes unearned per pupil allocation collections. Future cash flows depend on appropriations from the District of Columbia. While economic downturns may impact DCI's ability to attract and retain the number of students, the District of Columbia is required to cover the cost of academic and facilities expenses for enrolled students.

Grants and Contributions

Unconditional grants and contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. DCI reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

A grant or contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

DCI also has grants from United States and state government agencies for the provision of services. These grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses and are recognized as contributions when the conditions are met. Revenue recognized on grants for which payments have not been received is reflected as grants receivable in the accompanying statements of financial position. The expenditures under these grants are subject to review by the granting authority. Grant awards received but not yet expended for the purpose of the award are included as deferred revenue in the accompanying statements of financial position.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses directly attributed to a specific functional area of DCI are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Costs such as occupancy, depreciation and other administrative costs that benefit multiple functions are allocated proportionally on the basis of salary expense.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. DCI adopted ASU 2014-09 and related amendments on July 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. DCI adopted ASU 2018-08 as of July 1, 2019 and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for DCI's contributions and grants.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. DCI adopted the standard retrospectively and has adjusted the presentation of these statements accordingly.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

2. Restricted Cash

Under the terms of the master loan agreement with Bank of America, as disclosed in Note 4, DCI established a cash collateral account with Bank of America which served as security for the loan obligation. This account was established during the year ended June 30, 2017. A minimum deposit of \$800,000 was required to be made to this account upon its opening. Future deposits to this account were required until the account reached a balance of \$2,200,000, which was to be maintained until the loan maturity date of December 14, 2021.

Amount Due On or Before

November 1, 2017	\$ 400,000
November 1, 2018	\$ 400,000
November 1, 2019	\$ 600,000
November 1, 2020	\$ 600,000

Withdrawals or disbursements were not allowed to be made from this account, and any earnings on the account had to be reinvested into the account. The balance of this account as of June 30, 2020 and 2019, was \$0 and \$1,601,865, respectively. The \$600,000 deposit scheduled for November 1, 2019 did not occur because the Bank of America debt was refinanced on July 23, 2019.

Under the Indenture of Trust between District of Columbia and Zions Bancorporation, National Association (as Trustee) that authorized \$51,365,000 in District of Columbia Revenue Bonds (District of Columbia International School Issue – Series 2019), upon receipt of the Bond Proceeds on July 23, 2019, \$3,141,500 was deposited into the Debt Service Reserve Fund. The following amounts are restricted for debt service at June 30, 2020:

Debt service reserve fund	\$ 3,141,500
Interest account of debt service fund	1,284,138
Principal account of debt service fund	535,000
Repair and replacement fund	<u>100,904</u>
Total Restricted Cash	<u>\$ 5,061,542</u>

The repair and replacement fund exists to pay the cost of any *unbudgeted* maintenance costs, absent the occurrence and continuation of an event of default. The interest account of debt service fund was used to pay bondholders the scheduled interest payment of \$1,284,125 on July 1, 2020. The principal account of debt service fund was used to pay bondholders the scheduled principal payment of \$535,000 on July 1, 2020.

3. Conditional Awards

As of June 30, 2020 and 2019, DCI had received conditional grants from funders totaling \$100,000 and \$450,000, respectively. These grants will be recognized as revenue when DCI meets the conditions of the agreements. As conditions have not yet been met, these amounts are not recognized as a receivable as of June 30, 2020 and 2019, in the accompanying statements of financial position.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

4. Notes Payable

On December 14, 2016, DCI entered into five loan agreements to be used to renovate building #11, commonly referred to as the former Walter Reed property, or Delano Hall, located at 1400 Main Drive, NW, Washington, D.C. The loan with Bank of America was treated as senior debt regarding payment and performance over the others. The remaining six subordinate loans were with Building Hope, Local Initiatives Support Corporation, Office of Public Charter School Financing and Support (OPCSFS), the Reinvestment Fund, City First Enterprises and City First Bank. As noted below, these loans were repaid in full on July 23, 2019, using proceeds from District of Columbia Revenue Bonds (District of Columbia International School – Series 2019).

Bank of America

DCI entered into a construction loan agreement with Bank of America on December 14, 2016. The loan was not to exceed \$41,789,437. The agreement had a variable rate equal to the daily London Interbank Offered rate (LIBOR) floating rate plus 350 basis points. As of June 30, 2020 and 2019, the remaining amount available to be drawn was \$0 and \$5,020, respectively. DCI entered into an interest rate cap agreement with Bank of America to hedge a floating rate exposure. The effect of this interest rate cap was to limit the LIBOR interest rate portion to a maximum of 3.5% during the period of the cap agreement. This effectively capped the total interest rate on this loan at 7% per annum.

Principal and interest were payable in monthly installments of \$275,672 beginning January 1, 2019. A balloon payment of \$39,442,502 was due on the maturity date, December 14, 2021. This loan was secured by a leasehold deed of trust assignment, security agreement and fixture filing on the leaseholds on the building and property.

In accordance with the loan agreement, DCI was required to maintain unencumbered liquid assets, such as cash and cash equivalents, of increasing amounts until maturity. As of June 30, 2017, the minimum liquidity amount was \$2,200,000 and remained in effect through October 31, 2017. The minimum liquidity amount then increased to \$2,400,000 for the period November 1, 2017, through October 31, 2018; \$2,950,000 for the period November 1, 2018, through October 31, 2019; \$3,750,000 for the period November 1, 2019, through October 31, 2020; and \$5,000,000 for the period November 1, 2020, through the remaining life of the loan. DCI met this financial requirement as of June 30, 2019.

DCI also needed to maintain a debt service coverage ratio of at least 1.20 to 1.00 beginning with the year ended June 30, 2019. DCI met this financial requirement as of June 30, 2019. On July 23, 2019, this loan was repaid in full.

Local Initiatives Support Corporation

DCI entered into a loan agreement with Local Initiatives Support Corporation on December 14, 2016. The loan was made in the amount of \$5,128,175 with interest at 5% per annum. Loan proceeds were obtainable through draw requests submitted by DCI for payment of expenses related to the construction project. Principal and interest were payable in monthly installments of \$29,979 beginning on January 1, 2019. A balloon payment of \$4,824,440 was due on the maturity date, December 14, 2021. Prepayments were able to be made at any time without

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

4. Notes Payable (continued)

Local Initiatives Support Corporation (continued)

penalty. This loan was secured by a security agreement and fixture filing on the property, including improvements; assignment of leases, rents, and profits; assignments of construction and architectural contracts, permits, licenses and plan, environment indemnity agreement and collateral assignment. On July 23, 2019, this loan was repaid in full.

Reinvestment Fund

DCI entered into a loan agreement with the Reinvestment Fund, Inc. on December 14, 2016. The loan was made in the amount of \$5,128,175 with a variable monthly rate equal to the one-month LIBOR plus 400 basis points during the interest-only period that began on December 14, 2016, and ended on December 1, 2018. After December 1, 2018, the interest rate was adjusted to a fixed rate based on the three-year Treasury Rate published on November 29, 2018, plus 375 basis points. Interest-only payments were due monthly beginning January 1, 2017, and continued through December 1, 2018, at which time both principal and interest payments were due. Loan proceeds were obtainable through draw requests submitted by DCI for payment of expenses related to the construction project.

As of June 30, 2020 and 2019, the remaining amount available to be drawn was \$0. Principal and interest were payable in monthly installments of \$34,909 beginning January 1, 2019. A balloon payment of \$4,867,509 was due on the maturity date, December 14, 2021. Prepayments were able to be made prior to maturity without penalty. This loan was secured by a security interest on the property and improvements; a shared second priority lien in the rents, issues, profits and leases; a continuing shared second lien in the restricted cash account and in the operating account; a continuing second priority lien on the payments; and facilities receivables.

Beginning with the fiscal year ending June 30, 2019, DCI needed to maintain a debt service coverage ratio of not less than 1.2 to 1.0. DCI also needed to maintain a lease coverage ratio of not less than 1.2 to 1.0 regarding its sublease. These financial covenants needed to be met at the end of each fiscal year. During the period of the loan, DCI was also required to maintain unrestricted cash or cash equivalents in the amount of at least one-twelfth of its total annual operating expenses, excluding depreciation, or such greater amount as necessary to cover at any given time not less than 30 days' operating expenses. DCI met all these financial requirements as of and for the year ended June 30, 2019. On July 23, 2019, this loan was repaid in full.

City First

DCI entered into two loan agreements with City First Enterprises and City First Bank on December 15, 2017. The loans were made in the amount of \$1,000,000 from City First Bank and \$830,000 from City First Enterprises with interest at 3.25% per annum and 6% per annum, respectively. Principal and interest were payable in monthly installments of \$19,008 beginning January 1, 2019. A balloon payment of \$1,122,647 was due on the maturity date, February 1, 2023. Prepayments were able to be made prior to maturity without penalty. This loan was secured by a security interest on the property and improvements; a fourth priority lien in the

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

4. Notes Payable (continued)

City First (continued)

rents, issues, profits and leases; a continuing shared fourth lien in the restricted cash account and in the operating account; a continuing fourth priority lien on the payments; and facilities receivables. On December 15, 2017, DCI entered into a guaranty agreement with a third party to guaranty the principal, interest and related costs of the \$1,000,000 loan. On July 23, 2019, this loan was repaid in full.

Office of Public Charter School Financing and Support

DCI entered into a loan agreement with OPCSFS on December 16, 2016. The loan was made in the amount of \$949,231 with interest at 4.5% per annum. Interest-only payments were due quarterly through February 1, 2019, at which time both principal and interest payments were due. Principal and interest were payable in quarterly installments of \$15,860 beginning January 1, 2019. A balloon payment of \$899,222 was due on the maturity date, December 14, 2021. Prepayments were able to be made at any time without penalty. This loan was secured by a third priority lien on a leasehold interest in the property and improvements; third priority assignment of all leases and rents from the property, per pupil payments, facility allowances, and assignment of all management, construction, architectural contracts and plans. On July 23, 2019, this loan was repaid in full.

Building Hope

DCI entered into a loan agreement with Building Hope on November 9, 2016. The loan was made in the amount of \$949,231 and bears interest at 4.5% per annum. Interest-only payments were due monthly through February 1, 2019, at which time both principal and interest payments were due. Principal and interest were payable in monthly installments of \$5,276 beginning January 1, 2019. A balloon payment of \$888,476 was due on the maturity date, December 14, 2021. This loan was secured by a third priority lien of leasehold interest in the property; third priority assignment of all leases and rents from the property; third priority lien on per pupil payments, facility allowances, and assignment of all management, construction, architectural contracts and plans. On July 23, 2019, this loan was repaid in full.

District of Columbia Revenue Bonds

On July 23, 2019, \$51,365,000 in District of Columbia Revenue Bonds – Series 2019 were issued with a 5% coupon rate to refinance the debt on the statement of financial position date of June 30, 2019. These revenue bonds were issued at a premium of \$8,086,380, resulting in total proceeds of \$59,451,380. The bonds have a 35-year term and mature on July 1, 2054. The proceeds were used to pay off the debt in the amount of \$55,130,577, accrued interest in the amount of \$103,831, pay various costs of issuance in the amount of \$1,061,587, and make a deposit to a debt service reserve fund account of \$3,141,500 held at Zions Bank (see Note 2).

Under the bond, the annual debt service averages \$3,133,473. Compared to the previous arrangement with multiple lenders, this achieve a significant savings. This allows DCI to direct more of its annual operating budget towards program services.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

4. Notes Payable (continued)

District of Columbia Revenue Bonds (continued)

A summary of outstanding principal balances by source type as of June 30, 2020 and 2019, is as follows:

	2020	2019
District of Columbia Revenue Bonds	\$ 51,365,000	\$ -
Bank of America	-	41,384,911
Local Initiatives Support Corporation	-	5,075,971
Reinvestment Fund	-	5,086,190
City First	-	1,707,619
OPCSFS	-	938,810
Building Hope	-	937,076
Total Outstanding Principal Balance	51,365,000	55,130,577
Plus: Unamortized premium on Revenue Bonds	7,845,476	-
Less: Unamortized Deferred Financing Costs	(1,029,961)	(630,486)
Notes Payable, Net	\$ 58,180,515	\$ 54,500,091

As of June 30, 2020, principal payments on the notes payable were due as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2021	\$ 535,000
2022	600,000
2023	625,000
2024	660,000
2025	690,000
Thereafter	48,255,000
Total	\$ 51,365,000

Total interest expense incurred related to these notes payable was \$2,371,253 and \$3,195,902 for the years ended June 30, 2020 and 2019, respectively. Total amortization of the debt issuance costs related to these notes payable was \$31,626 and \$213,662 for the years ended June 30, 2020 and 2019, respectively. Upon retirement of the loans as discussed previously, \$630,486 was recognized as a loss on retirement of notes payable on the statements of activities. Amortization of the premium on the bonds (a reduction of total interest expense) was \$240,904 for the year ended June 30, 2020.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

5. Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value in accordance with GAAP. Accounting standards emphasize that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, accounting standards established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under the fair value measurement standards are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

There were no assets measured at fair value on a recurring basis as of June 30, 2020. The following table summarizes DCI's assets measured at fair value on a recurring basis as of June 30, 2019:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest Rate Cap	\$ 5,568	\$ -	\$ 5,568	\$ -

The fair value of the interest rate cap agreement is the estimated amount that DCI would receive to sell the cap agreement to a market participant at the reporting date, taking into account current interest rates and the current credit worthiness of the cap counter parties.

As discussed in Note 4, DCI has entered into an interest rate cap agreement with Bank of America to reduce the impact of changes in interest rates on its variable rate debt.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

6. Charter School Funding – Per Pupil Allocation

DCI receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. Per-pupil allocation funding for the years ended June 30, 2020 and 2019, was composed of the following:

	2020	2019
General education	\$ 16,054,291	\$ 12,770,843
Facilities allowance	4,215,440	3,462,043
Special education	3,631,563	2,645,757
English as a second language	661,764	449,129
At-risk students	565,754	472,699
Total Per Pupil Allocation Funding	\$ 25,128,812	\$ 19,800,471

During the year ended June 30, 2020, all District of Columbia public charter schools received a one-time payment following overspending by District of Columbia Public Schools. The additional amount was provided to charter schools to achieve equity in funding. The payment was based on the audited School Year 19-20 enrollment. This supplementary payment of approximately \$232,111 is included in the per pupil funding allocation in the accompanying statements of activities.

7. Net Assets With Donor Restrictions

As of June 30, 2020 and 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

	2020	2019
Field trips	\$ -	\$ 42,255
Philip L. Graham Fund	-	24,679
The Norman & Ruth Rales Foundation	-	10,000
Total Subject to Expenditure for Specified Purpose	-	76,934

Subject to occurrence of specified events/passage of time:

Future use (2020 – 2046) contributed land lease	1,577,930	1,638,620
Total Subject to Expenditure for Passage of Time	1,577,930	1,638,620
Total Net Assets With Donor Restrictions	\$ 1,577,930	\$ 1,715,554

Continued

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

8. Risks and Commitments

Concentration of Risk

DCI maintains its cash and cash equivalents with certain commercial financial institutions. As of June 30, 2020 and 2019, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor at FDIC-insured institutions up to \$250,000. The amount held by DCI in excess of the FDIC-insured limit as of June 30, 2020 and 2019, was approximately \$17,912,000 and \$12,843,000, respectively. While the amounts at times exceed the amount guaranteed and, therefore, bear some risk, DCI has not experienced, nor does it anticipate, any loss of funds.

Compliance Audit

DCI has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time, although DCI expects such amounts, if any, to be insignificant.

Major Contributor

DCI receives public funds from the District of Columbia based on the number of students it enrolls according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. If a significant reduction in this revenue should occur, it could have a significant effect on DCI's programs. During the years ended June 30, 2020 and 2019, DCI earned per pupil funding revenue of \$25,128,812 and \$19,800,471, respectively, from the District of Columbia, which is approximately 88% and 87% of DCI's total revenue for each year, respectively. This revenue is reflected as per pupil funding allocation and per pupil funding – facilities allowance in the accompanying statements of activities.

Related Party

A board member of DCI is affiliated with the New Schools Venture Fund. During June 2018, this organization granted \$375,000 to DCI. This grant was accounted for as a conditional grant by DCI. During the year ended June 30, 2019, the first payment of \$175,000 was recognized as revenue. The second payment of \$100,000 was received and recognized during the year ended June 30, 2020.

Charter School Agreement

DCI was approved by the District of Columbia Public Charter School Board (DCPCSB) as a jointly operated co-located campus of the middle-high school campuses of five language immersion charter schools in the District of Columbia. The agreement was effective July 1, 2014, and provides for a 15-year term of operation. The contract may be renewed for successive 15-year periods if the DCPCSB deems that DCI is in compliance with its contract and District of Columbia statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review DCI every five years. The first review occurred in 2019. The DCPCSB may revoke a school contract if a school violates applicable law, materially violates the contract or fails to meet the student academic achievement expectations set forth in the charter contract. Management believes it is in compliance with all applicable laws and regulations.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2020 and 2019

8. Risks and Commitments (continued)

Operating Leases

Ground Lease Agreement (1400 Main Drive, NW)

On November 10, 2016, DCI entered into a lease for property located at 1400 Main Drive, NW, Washington, D.C., the former Walter Reed property. The purpose of this lease was to obtain the property in order to renovate it for a school building. DCI obtained this lease from a development company which in turn has leased the property from the District of Columbia.

The term of this lease began on November 10, 2016, and ends on October 10, 2046, with annual lease payments of \$50. DCI recognized contributed land lease revenue of \$1,760,000 as support with donor restrictions as of August 31, 2017, at the time DCI met the condition of the lease that donated ground can only be used for a public charter school. The present value of the lease exceeded the estimated fair value of the land itself. Therefore, in accordance with GAAP, DCI recognized the contributed ground lease at the estimated fair value of the land. The resulting asset is reflected as contributed land lease in the accompanying statements of financial position. Annually, the fiscal year's value of the space is recognized as in-kind rent expense. For June 30, 2020 and 2019, in-kind rent of \$60,690 was recognized for both years and is included in depreciation and amortization in the accompanying statements of functional expenses.

For the years ended June 30, 2020 and 2019, rent expense was \$120,713 and \$115,552, respectively, which is included in rent in the accompanying statements of functional expenses.

Sublease

On November 10, 2016, DCI entered into an agreement to sublease a portion of its school. The sublease commenced when DCI's occupancy of its current space began, on August 28, 2017, and originally scheduled to expire on August 27, 2047. As a requirement of this lease, a security deposit of \$130,166 was made. A reserve in the amount of \$25,000 was also required. Annual base rent for year one is \$468,600, which is for the year ended June 30, 2018. Year two annual rent is \$624,800 and year three annual base rent is \$781,000. Each year thereafter, the base rent was scheduled to increase by the lesser of (a) the percentage increase in the per pupil facilities allowance from the prior year or (b) 3%. However, the sublease was terminated effective June 30, 2020. Accordingly, lease payments will not be collected after June 30, 2020.

Risks and Uncertainties

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. DCI has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact DCI's financial condition or results of operations is uncertain and being evaluated by management and the Board.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

9. Availability and Liquidity

DCI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, including debt service, while also striving to preserve the principal and return on the investment of its funds. DCI's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2020 was as follows:

Cash and cash equivalents	\$ 18,490,566
Grants receivable	486,548
Accounts receivable	<u>43,390</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 19,020,504</u>

DCI has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of DCI throughout the year. This is done through monitoring and reviewing DCI's cash flow needs on a monthly basis. As a result, management is aware of the cyclical nature of DCI's cash flow related to DCI's funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs.

10. Pension Plan

Teachers' Retirement Plan

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the District of Columbia Public School System may participate in a defined benefit plan named the "Teachers' Retirement Plan." The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service. An employee may elect to remain in the Teachers' Retirement Plan if that individual leaves employment with the District of Columbia Public School System and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and DCI must make the match contributions that the District of Columbia government would have made to the plan. Employee contributions of 8% of annual salary are required to be made on a pre-tax basis to the plan and the employer match from DCI is 11.67%.

401(k) Retirement Plan

DCI provides pension benefits for its employees through a defined contribution 401(k) retirement plan. The Plan provides for employees to contribute up to the statutory limits set by the Internal Revenue Code (the IRC). DCI contributes, on a matching basis, an amount up to 3% of an employee's base annual salary for employees with one or more years of employment.

The combined amount of employer contributions for these two pension plans for the years ended June 30, 2020 and 2019, was \$167,423 and \$88,779, respectively.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

11. Income Taxes

Under Section 501(c)(3) of the IRC, DCI is exempt from federal taxes on income other than net unrelated business income. For the years ended June 30, 2020 and 2019, no provision for income taxes was made, as DCI had no significant net unrelated business income.

DCI reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the years ended June 30, 2020 and 2019, management did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. It is DCI's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

DCI's tax returns are subject to possible examination by the taxing authorities, however, no examinations are currently pending or in progress. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

12. Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

13. Subsequent Events

In preparing these financial statements, DCI has evaluated events and transactions, for potential recognition or disclosure, through November 25, 2020, the date the financial statements were available to be issued. There were no subsequent events identified through November 25, 2020, required to be recognized or disclosed in these financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORT AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the
District of Columbia International 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 the District of Columbia International School (DCI), 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 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DCI'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 DCI's internal control. Accordingly, we do not express an opinion on the effectiveness of DCI'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCI'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 DCI'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.

Marcum LLP

Washington, DC
November 25, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees of the
District of Columbia International School

Report on Compliance for Each Major Federal Program

We have audited the District of Columbia International School's (DCI's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on DCI's major federal program for the year ended June 30, 2020. DCI's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for DCI's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for DCI's major federal program. However, our audit does not provide a legal determination of DCI's compliance.

Opinion on Each Major Federal Program

In our opinion, DCI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

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Report on Internal Control Over Compliance

Management of DCI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DCI's internal control over compliance with the types of requirements that could have a direct and material effect on DCI's major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DCI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Washington, DC
November 25, 2020

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):</i>				
Title I – Grants to Local Educational Agencies	84.010A	82010A/92010A	\$ -	\$ 706,474
Special Education Cluster (IDEA): Special Education – Grant to Local Educational Agencies	84.027A	82027A/92027A	-	249,677
Scholarships for Opportunity and Results (SOAR) Act	84.370C	84.370C	-	142,663
Title II – Preparing, Training, and Recruiting High-Quality Teachers and Principals	84.367A	82367A/92367A	-	133,778
Title III – Grants and Subgrants for English Language Acquisition and Language Enhancement	84.365A	92365A	-	12,717
Title IV – Student Support and Academic Enrichment Program	84.424A	92424A	-	30,535
Total U.S. Department of Education			-	1,275,844
U.S. DEPARTMENT OF AGRICULTURE – FOOD AND NUTRITION SERVICE				
<i>Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):</i>				
Child Nutrition Cluster: National School Lunch Program (NSLP)	10.555	N/A	-	116,437
Total U.S. Department of Agriculture			-	116,437
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,392,281

See accompanying notes to this schedule.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of District of Columbia International School (DCI) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of DCI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DCI.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rates

DCI has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

4. Reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Activities

The expenditures per the schedule of federal awards are reported in the statement of activities in the audited financial statements as follows:

Expenditures per schedule of expenditures of federal awards	\$ 1,392,281
E-rate program revenue	<u>12,968</u>
Total Federal Entitlements and Grants Reported in the Statement of Activities	<u>\$ 1,405,249</u>

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditors’ report issued on compliance for major federal programs:

Unmodified Qualified
 Adverse Disclaimer

Internal control over major federal program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)? Yes No

Identification of Major Federal Program(s):

CFDA Number	Program Title
84.010A	Title I – Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? Yes No

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

(continued)

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None required to be reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.

OTHER INFORMATION

DISTRICIT OF COLUMBIA INTERNATIONAL SCHOOL
SCHEDULE OF VENDOR CONTRACTS \$25,000 AND ABOVE
(UNAUDITED)
For the Year Ended June 30, 2020

Vendor	Type of Service	Amount	Conflict of Interest
CareFirst BlueChoice, Inc.	Health benefits	\$ 1,273,887	No
WGL Energy Services Inc	Utilities	794,478	No
ASL Painting Inc	Painting and other maintenance	397,395	No
CDW Government	Computers	306,896	No
DC Public Charter School Board	Authorizer fees	240,403	No
C.J. Maintenance, Inc	Janitorial services	224,171	No
W. L. Gary Company, Inc	Maintenance	179,958	No
Walking Tree Travel	Field trips	163,621	No
Revolution Foods	Student meals	150,528	No
Parks at Walter Reed Owners Association	Common area maintenance charges	147,490	No
Lavinia Group, LLC	Literacy/Math Consulting	146,466	No
Amazon	Supplies	138,654	No
Officeworks Inc.	Furniture and equipment	126,313	No
The Hanover Insurance Group	Workers' comp insurance and business insurance	115,241	No
WMATA	SmartBenefits for employees	90,360	No
The Mecca Group LLC	Contracted special education services	83,775	No
Building Hope Services	Finance and accounting services	66,000	No
School Leader Lab	Professional development	65,775	No
Enriched Schools	Substitute staff	64,125	No
UNUM Life Insurance Company of America	Life insurance	60,811	No
Paradigm Therapy Partners	Special education services – occupational & speech language therapy	57,495	No
International Baccalaureate Organization	Professional development	57,338	No
Kokua	Substitute staff	43,016	No
Boland Trane Services Inc	Contracted building services	39,782	No
BSN Sports	Athletic uniforms and supplies	37,982	No
McGuireWoods LLP	Legal services	36,516	No
Apple Store for Education Institution	Computers	35,160	No
Interquest Information Services	Staff background checks	34,750	No
Edgenuity	Digital libraries	33,500	No
Roots Landscaping, LLC	Contracted building services	32,183	No
G&G School Bus Transportation	Transportation services	31,925	No
Marcum LLP	Audit and tax services	29,653	No
DC Water	Utilities	29,393	No

See independent auditors' report on required regulatory information and note to this schedule.

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

NOTE TO SCHEDULE OF VENDOR CONTRACTS \$25,000 AND ABOVE
For the Year Ended June 30, 2020

1. Basis of Presentation

This schedule of vendor contracts \$25,000 and above is required regulatory information and is reported in accordance with The DC Public Charter School Board fiscal year 2020 Audit Guidelines, Section Audit Reports – *Audit Package*.