District of Columbia International School

Financial Statements

For the Years Ended June 30, 2019 and 2018

and
Report Thereon

Reports Required in Accordance with Uniform Guidance

For the Year Ended June 30, 2019

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

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For the Years Ended June 30, 2019 and 2018

MARCUM
ACCOUNTANTS ▲ ADVISORS

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 comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the 2019 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

DCI's 2018 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP and whose report dated November 19, 2018, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary 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 the 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 22, 2019, 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 22, 2019

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,160,025	$ 9,713,073
Accounts receivable	90,730	228,364
Grants receivable	262,364	364,219
Prepaid expenses	606,134	682,784
Total Current Assets	13,119,253	10,988,440
Fixed assets		
Furniture, fixtures and equipment	1,138,798	853,762
Computer equipment	664,124	471,379
Leasehold improvements	53,779,898	52,895,461
Contributed land lease	1,760,000	1,760,000
Construction in progress	-	535,757
Total Fixed Assets	57,342,820	56,516,359
Less: Accumulated Depreciation and Amortization	(4,464,024)	(2,038,842)
Fixed Assets, Net	52,878,796	54,477,517
Other assets		
Cash restricted for debt service	1,601,865	1,200,705
Deferred rent receivable	120,084	141,756
Deposits	122,101	207,502
Interest rate cap	5,568	145,979
Total Other Assets	1,849,618	1,695,942
TOTAL ASSETS	$ 67,847,667	$ 67,161,899
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 835,402	$ 4,034,834
Accrued payroll and benefits	510,380	347,668
Deferred revenue	39,560	232,537
Notes payable, current portion	1,237,971	737,618
Total Current Liabilities	2,623,313	5,352,657
Sublease deposit	130,166	130,166
Notes payable, net of current portion	53,262,120	50,831,979
TOTAL LIABILITIES	56,015,599	56,314,802
NET ASSETS		
Without donor restrictions	10,116,514	9,103,360
With donor restrictions	1,715,554	1,743,737
TOTAL NET ASSETS	11,832,068	10,847,097
TOTAL LIABILITIES AND NET ASSETS	$ 67,847,667	$ 67,161,899

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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Per pupil funding allocation	$ 16,338,428	$ -	$ 16,338,428	$ 11,875,661	$ -	$ 11,875,661
Per pupil funding – facilities allowance	3,462,043	-	3,462,043	2,566,953	-	2,566,953
Contributed land lease	-	-	-	-	1,760,000	1,760,000
Federal entitlements and grants	959,766	-	959,766	788,689	-	788,689
State government grants and contributions	150,562	-	150,562	163,679	-	163,679
Private grants and contributions	515,279	212,255	727,534	164,803	44,427	209,230
Student activity fees	427,591	-	427,591	335,907	-	335,907
Rental income	606,628	-	606,628	610,356	-	610,356
Other income	136,624	-	136,624	48,598	-	48,598
Net assets released from restriction:						
Satisfaction of time restrictions	60,690	(60,690)	-	60,690	(60,690)	-
Satisfaction of program restrictions	179,748	(179,748)	-	223,771	(223,771)	-
TOTAL REVENUE AND OTHER SUPPORT	22,837,359	(28,183)	22,809,176	16,839,107	1,519,966	18,359,073
EXPENSES						
Educational Services	19,864,482	-	19,864,482	13,957,751	-	13,957,751
Supporting Services:						
General and administrative	1,545,384	-	1,545,384	1,002,988	-	1,002,988
Fundraising	273,928	-	273,928	181,929	-	181,929
Total Supporting Services	1,819,312	-	1,819,312	1,184,917	-	1,184,917
TOTAL EXPENSES	21,683,794	-	21,683,794	15,142,668	-	15,142,668
Change in net assets before change in fair value of interest rate cap	1,153,565	(28,183)	1,125,382	1,696,439	1,519,966	3,216,405
Change in fair value of interest rate cap	(140,411)	-	(140,411)	22,955	-	22,955
CHANGE IN NET ASSETS	1,013,154	(28,183)	984,971	1,719,394	1,519,966	3,239,360
NET ASSETS, BEGINNING OF YEAR	9,103,360	1,743,737	10,847,097	7,383,966	223,771	7,607,737
NET ASSETS, END OF YEAR	$ 10,116,514	$ 1,715,554	$ 11,832,068	$ 9,103,360	$ 1,743,737	10,847,097

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, 2019 and 2018

	2019				2018			
	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising	Total
Personnel, Salaries and Benefits:								
Teaching/staff salaries	$ 6,318,786	$ 25	$ 25	$ 6,318,836	$ 4,377,967	$ -	$ -	$ 4,377,967
Student support salaries	748,650	70,893	-	819,543	832,254	15,871	-	848,125
Leadership salaries	1,376,888	235,602	52,069	1,664,559	573,253	108,457	38,254	719,964
Employee benefits	909,200	76,658	13,588	999,446	644,231	49,475	8,974	702,680
Office and administrative staff	184,232	420,984	76,859	682,075	185,967	334,109	44,900	564,976
Payroll taxes	680,063	57,339	10,163	747,565	467,842	35,929	6,517	510,288
Other personnel expenses	354,616	29,899	5,300	389,815	231,027	17,742	3,218	251,987
Staff development expense	182,728	15,406	2,731	200,865	141,340	10,854	1,969	154,163
Total Personnel, Salaries and Benefits	10,755,163	906,806	160,735	11,822,704	7,453,881	572,437	103,832	8,130,150
Direct Student Costs:								
Student travel/transportation	465,671	-	-	465,671	392,271	-	-	392,271
Student supplies and materials	335,856	-	-	335,856	246,986	-	-	246,986
Contracted instruction	265,948	-	-	265,948	231,421	-	-	231,421
Food service	244,670	-	-	244,670	199,539	-	-	199,539
Textbooks	16,168	-	-	16,168	147,618	-	-	147,618
Other student costs	180,768	-	-	180,768	55,233	-	-	55,233
Student assessment materials	26,362	-	-	26,362	50,619	-	-	50,619
Total Direct Student Costs	1,535,443	-	-	1,535,443	1,323,687	-	-	1,323,687
Occupancy Expenses:								
Interest	2,907,326	245,127	43,450	3,195,903	1,814,549	139,352	25,277	1,979,178
Contracted building services	527,981	44,516	7,891	580,388	284,529	44,954	8,154	337,637
Other occupancy costs	617,903	52,098	9,235	679,236	275,806	21,181	3,842	300,829
Rent	105,118	8,863	1,571	115,552	215,023	16,513	2,995	234,531
Amortization of deferred financing costs	194,369	16,388	2,905	213,662	170,561	13,099	2,376	186,036
Maintenance and repairs	187,218	15,785	2,798	205,801	72,387	5,559	1,008	78,954
Janitorial supplies	1,807	152	27	1,986	8,165	627	114	8,906
Total Occupancy Expenses	4,541,722	382,929	67,877	4,992,528	2,841,020	241,285	43,766	3,126,071

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, 2019 and 2018

(Continued)

	2019				2018			
	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising	Total
Office Expenses:								
Telephone/telecommunications	$ 43,354	$ 3,655	$ 648	$ 47,657	$ 64,434	$ 4,948	$ 898	$ 70,280
Office supplies and materials	57,672	4,862	862	63,396	49,290	3,785	687	53,762
Computer support fees	43,013	3,627	643	47,283	48,293	3,709	673	52,675
Equipment rental and maintenance	28,661	2,416	428	31,505	25,878	1,987	360	28,225
Postage and shipping	2,681	226	40	2,947	3,534	271	49	3,854
Total Office Expenses	175,381	14,786	2,621	192,788	191,429	14,700	2,667	208,796
General Expenses:								
Accounting, auditing and payroll	125,253	10,560	1,872	137,685	133,735	10,270	1,863	145,868
Authorizer fee	192,621	16,241	2,879	211,741	130,094	9,991	1,812	141,897
Business fees and dues	62,612	5,279	936	68,827	59,229	4,549	825	64,603
Insurance	54,836	4,623	820	60,279	49,289	3,785	687	53,761
Other professional fees	113,630	9,581	1,698	124,909	48,766	3,745	679	53,190
Legal fees	17,735	1,495	265	19,495	16,701	1,283	233	18,217
Other expenses	82,647	6,968	1,235	90,850	5,776	443	80	6,299
Total General Expenses	649,334	54,747	9,705	713,786	443,590	34,066	6,179	483,835
Depreciation and amortization expense	2,207,439	186,116	32,990	2,426,545	1,704,144	140,500	25,485	1,870,129
TOTAL EXPENSES	$ 19,864,482	$ 1,545,384	$ 273,928	$ 21,683,794	$ 13,957,751	$ 1,002,988	$ 181,929	$ 15,142,668

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, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 984,971	$ 3,239,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on interest rate cap	140,411	(22,955)
Depreciation and amortization	2,426,545	1,870,129
Contributed land lease	-	(1,760,000)
Amortization of deferred financing costs	213,662	186,036
Changes in assets and liabilities:		
Accounts receivable	137,634	(171,229)
Grants receivable	101,855	(229,633)
Prepaid expenses	76,650	(71,512)
Deferred rent receivable	21,672	(141,756)
Deposits	85,401	15,000
Accounts payable and accrued expenses	329,084	(2,725,234)
Accrued payroll and benefits	162,712	126,209
Deferred revenue	(192,977)	172,238
Sublease deposit	-	130,166
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,487,620	616,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,356,340)	(18,153,715)
Transfers to restricted cash	(401,160)	(400,526)
NET CASH USED IN INVESTING ACTIVITIES	(4,757,500)	(18,554,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	3,330,866	23,835,526
Principal payments on long-term debt	(614,034)	(23,702)
Acquisition of loan financing costs	-	(103,044)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,716,832	23,708,780
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,446,952	5,771,358
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,713,073	3,941,715
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,160,025	$ 9,713,073
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid, net of capitalized interest	$ 2,937,932	$ 1,979,178
NONCASH DISCLOSURE		
Fixed assets included in accounts payable and accrued expenses	$ -	$ 3,528,516

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

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 class will graduate 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.

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.

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. 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, 2019 and 2018, 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. The construction in progress as of June 30, 2018 was for the last phase of the construction services for the development of the school building located at 1400 Main Drive, NW, Washington, DC, on the former Walter Reed Army Medical Center property (Walter Reed property). 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 straight-line method. GAAP requires that the effective yield method be used to amortize financing costs. However, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

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.

Continued

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

Classification of Net Assets (continued)

- 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, 2019, DCI had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

DCI reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Federal and Charter School Funding

DCI receives a per pupil student allocation and facility allowance from the District of Columbia to cover the cost of academic expenses and operating costs. Revenue is recognized ratably over the academic year. Payments received for the summer following the academic year, if any, are reported as deferred revenue in the accompanying statements of financial position.

Grants and Contributions

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.

DCI has grants from United States and state government agencies for the provision of services. Revenue from these grants is recognized as allowable costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants for which payments have not been received is reflected as grants receivable in the accompanying statements of financial position. 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement 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.

Continued

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. DCI has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Cash Restricted for Debt Service

Under the terms of the master loan agreement with Bank of America, as disclosed in Note 4, DCI has established a cash collateral account with Bank of America which serves 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 are required until the account reaches a balance of $2,200,000, which balance will 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

Withdrawals or disbursements are not allowed to be made from this account, and any earnings on the account must be reinvested into the account. The balance of this account as of June 30, 2019 and 2018, was $1,601,865 and $1,200,705, respectively.

3. Conditional Awards

As of June 30, 2019 and 2018, DCI had received conditional grants from funders totaling $450,000 and $875,000, respectively. These grants will be recognized as revenue when DCI launches an International Baccalaureate Career Program and Diploma Program for 11th and 12th grades. As this condition has not yet been met, these amounts are not recognized as a receivable as of June 30, 2019 and 2018, in the accompanying statements of financial position.

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 is treated as senior debt regarding payment and performance over the others. The remaining six subordinate loans are 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.

Bank of America

DCI entered into a construction loan agreement with Bank of America on December 14, 2016. The loan is not to exceed $41,789,437. The agreement bears a variable rate equal to the daily London Interbank Offered rate (LIBOR) floating rate plus 350 basis points. As of June 30, 2019 and 2018, the remaining amount available to be drawn was $5,020 and $3,335,885, 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 is to limit the LIBOR interest rate portion to a maximum of 3.5% during the period of the cap agreement. This effectively would cap the total interest rate on this loan at 7% per annum.

Principal and interest are payable in monthly installments of $275,672 beginning January 1, 2019. A balloon payment of $39,442,502 will be due on the maturity date, December 14, 2021. This loan is 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 is 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 which 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 and 2018.

DCI also needs to maintain a debt service coverage ratio of at least 1.20 to 1.00 beginning with the year ended June 30, 2018. DCI met this financial requirement as of June 30, 2019.

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 and bears interest at 5% per annum. Loan proceeds are obtainable through draw requests submitted by DCI for payment of expenses related to the construction project. Principal and interest are payable in monthly installments of $29,979 beginning on January 1, 2019. A balloon payment of $4,824,440 will be due on the maturity date, December 14, 2021. Prepayments may be made at any time without penalty. This loan is secured by a security agreement and fixture filing on the property, including

Continued

4. Notes Payable (continued)

Local Initiatives Support Corporation (continued)

improvements; assignment of leases, rents, and profits; assignments of construction and architectural contracts, permits, licenses and plan, environment indemnity agreement and collateral assignment.

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 and bears 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 will 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 will be due. Loan proceeds are obtainable through draw requests submitted by DCI for payment of expenses related to the construction project.

As of June 30, 2019 and 2018, the remaining amount available to be drawn was $916. Principal and interest are payable in monthly installments of $34,909 beginning January 1, 2019. A balloon payment of $4,867,509 will be due on the maturity date, December 14, 2021. Prepayments may be made prior to maturity without penalty. This loan is 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, 2018, DCI needs to maintain a debt service coverage ratio of not less than 1.2 to 1.0. DCI also needs to maintain a lease coverage ratio of not less than 1.2 to 1.0 regarding its sublease. These financial covenants need to be met at the end of each fiscal year. During the period of the loan, DCI is 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 years ended June 30, 2019 and 2018.

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 and bear interest at 3.25% per annum and 6% per annum, respectively. Principal and interest are payable in monthly installments of $19,008 beginning January 1, 2019. A balloon payment of $1,122,647 will be due on the maturity date, February 1, 2023. Prepayments may be made prior to maturity without penalty. This loan is secured by a security interest on the property and improvements; a fourth priority lien in the rents, issues, profits and leases; a continuing shared fourth lien in the restricted cash account and in the operating account;

4. Notes Payable (continued)

City First (continued)

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.

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 and bears interest at 4.5% per annum. Interest-only payments are due quarterly through February 1, 2019, at which time both principal and interest payments will be due. Principal and interest are payable in quarterly installments of $15,860 beginning January 1, 2019. A balloon payment of $899,222 will be due on the maturity date, December 14, 2021. Prepayments may be made at any time without penalty. This loan is 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.

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 are due monthly through February 1, 2019, at which time both principal and interest payments will be due. Principal and interest are payable in monthly installments of $5,276 beginning January 1, 2019. A balloon payment of $888,476 will be due on the maturity date, December 14, 2021. This loan is 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.

A summary of outstanding principal balances by source type as of June 30, 2019 and 2018, is as follows:

	2019	2018
Bank of America	$ 41,384,911	$ 38,453,552
Local Initiatives Support Corporation	5,075,971	5,128,175
Reinvestment Fund	5,086,190	5,127,259
City First	1,707,619	1,806,298
OPCSFS	938,810	949,231
Building Hope	937,076	949,231
Total Outstanding Principal Balance	55,130,577	52,413,746
Less: Unamortized Deferred Financing Costs	(630,486)	(844,149)
Notes Payable, Net	$ 54,500,091	$ 51,569,597

4. Notes Payable (continued)

As of June 30, 2019, principal payments on the notes payable were due as follows:

For the Year Ending June 30,	
2020	$ 1,237,971
2021	1,313,395
2022	51,358,243
2023	1,220,968
Total	$ 55,130,577

Total interest expense incurred related to these notes payable was $3,195,902 and $1,979,178 for the years ended June 30, 2019 and 2018, respectively. Total amortization of the debt issuance costs related to these notes payable was $213,662 and $186,036 for the years ended June 30, 2019 and 2018, respectively.

Bond Issuance Subsequent Event

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 balance sheet at June 30, 2019 (See Note 4). 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 and accrued interest in the amount of $55,234,408, pay various costs of issuance in the amount of $1,064,045, and make a deposit to a debt service reserve fund account of $3,141,500 held at Zions Bank.

Under the bond, the annual debt service will average $3,133,473. Compared to 2019 of $3,809,936, 2020 is estimated at approximately $4,477,000, and represents a significant savings. This allows DCI to direct more of its annual operating budget towards program services.

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

Continued

5. Fair Value Measurement (continued)

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.

The following table summarizes DCI's assets measured at fair value on a recurring basis as of June 30, 2019:

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

The following table summarizes DCI's assets measured at fair value on a recurring basis as of June 30, 2018:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Cap	$ 145,979	$ -	$ 145,979	$ -

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.

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, 2019 and 2018, was composed of the following:

	2019	2018
General education	$ 12,770,843	$ 9,361,450
Facilities allowance	3,462,043	2,566,953
Special education	2,645,757	1,836,040
At-risk students	472,699	341,434
English as a second language	449,129	336,737
Total Per Pupil Allocation Funding	$ 19,800,471	$ 14,442,614

During the year ended June 30, 2018, all District of Columbia public charter schools received a one-time payment to reflect a retroactive increase in the fiscal year 2017 Unit Per Student Funding Formula (UPSFF) base rate due to the city's new contract with the Washington Teachers' Union (WTU). The payment was based on the final enrollment audit count, supplementary payments and extended school year (ESY) funding. This supplementary payment of approximately $155,000 is included in the per pupil funding allocation in the accompanying statements of activities.

7. Net Assets With Donor Restrictions

As of June 30, 2019 and 2018, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

	2019	2018
Field trips	$ 42,255	$ 44,427
Philip L. Graham Fund	24,679	-
The Norman & Ruth Rales Foundation	10,000	-
Total Subject to Expenditure for Specified Purpose	76,934	44,427

Subject to occurrence of specified events/passage of time:

	2019	2018
Future use (2018 – 2046) contributed land lease	1,638,620	1,699,310
Total Subject to Expenditure for Passage of Time	1,638,620	1,699,310
Total Net Assets with Donor Restrictions	$ 1,715,554	$ 1,743,737

8. Risks and Commitments

Concentration of Risk

DCI maintains its cash and cash equivalents with certain commercial financial institutions. As of June 30, 2019 and 2018, 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, 2019 and 2018, was approximately $12,843,000 and $9,997,000, 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 UPSFF 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, 2019 and 2018, DCI earned per pupil funding revenue of $19,800,471 and $14,442,614, respectively, from the District of Columbia, which is approximately 87% and 79% 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, 2018, $175,000 was received and recognized as deferred revenue, as the program had not yet begun. The payment of $175,000 was subsequently recognized as revenue during the year ended June 30, 2019.

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.

Continued

8. Risks and Commitments (continued)

Operating Leases

Building Lease (1500 Harvard Street, NW)

DCI entered into a rental agreement effective July 15, 2015, with Charter School Incubator Initiative for the rental of certain classroom space and other premises at 1500 Harvard Street, NW, in Washington, D.C. The term of this agreement was scheduled to continue until July 15, 2018, but could be terminated on July 15th of any year. DCI terminated this lease on July 15, 2017.

For the years ended June 30, 2019 and 2018, rent expense was $0 and $135,163, respectively, which is included in rent expense in the accompanying statements of functional expenses.

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, 2019 and 2018, 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, 2019 and 2018, rent expense was $115,552 and $99,368, respectively, which is included in rent expense 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 expires 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 will increase by the lesser of (a) the percentage increase in the per pupil facilities allowance from the prior year or (b) 3%.

Continued

8. Risks and Commitments (continued)

Operating Leases (continued)

Sublease (continued)

As of June 30, 2019, future minimum lease payments to be received under this operating sublease were as follows:

For the Year Ending June 30,	
2020	$ 781,000
2021	804,430
2022	828,563
2023	853,420
2024	879,022
Thereafter	29,514,434
Total	$ 33,660,869

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 consolidated statement of financial position date for general expenditures at June 30, 2019 was as follows:

Cash and cash equivalents	$ 12,160,025
Grants receivable	262,364
Accounts receivable	90,730
Total Financial Assets Available Within One Year	12,513,119
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose	(76,934)
Financial Assets Available to Meet General Expenditures Within One Year	$ 12,436,185

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.

Continued

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 11.09%.

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, 2019 and 2018, was $88,779 and $56,030, respectively.

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, 2019 and 2018, 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, 2019 and 2018, 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 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 2018 amounts have been reclassified to conform to the 2019 presentation.

Continued

13. Subsequent Events

In preparing these financial statements, DCI has evaluated events and transactions, for potential recognition or disclosure, through November 22, 2019, the date the financial statements were available to be issued. Except for the bond issuance disclosed in Note 4, there were no subsequent events identified through November 22, 2019, 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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

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) 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 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.

Continued

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 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 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 22, 2019

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 each of DCI's major federal programs for the year ended June 30, 2019. 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 statues, 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 each of DCI's major federal programs 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* (the 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, 2019.

Continued

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 each 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 22, 2019

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):				
Title I – Grants to Local Educational Agencies	84.010A	82010A/92010A	$ -	$ 258,949
Special Education Cluster (IDEA):				
Special Education – Grant to Local Educational Agencies	84.027A	82027A/92027A	-	167,408
Scholarships for Opportunity and Results (SOAR) Act	84.370C	84.370C	-	109,382
Title II – Preparing, Training, and Recruiting High-Quality Teachers and Principals	84.367A	82367A/92367A	-	48,709
Title III – Grants and Subgrants for English Language Acquisition and Language Enhancement	84.365A	92365A		10,739
Title IV – Student Support and Academic Enrichment Program	84.424A	92424A	-	33,977
Pass-through from Washington Yu Ying Public Charter School				
Title V – Charter Schools Program	84.282A	N/A	-	47,397
Total U.S. Department of Education			-	676,561
U.S. DEPARTMENT OF AGRICULTURE – FOOD AND NUTRITION SERVICE				
Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):				
Child Nutrition Cluster:				
National School Lunch Program (NSLP)	10.555	N/A	-	160,303
Total U.S. Department of Agriculture			-	160,303
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ -**	**$ 836,864**

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, 2019

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, 2019. 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 the Center.

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	$ 836,864
E-rate program revenue	122,902
Total Federal Entitlements and Grants Reported in the Statement of Activities	$ 959,766

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether financial statements audited were prepared in accordance with GAAP:	X	Unmodified		Qualified
		Adverse		Disclaimer

Internal control over financial reporting:

• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditors' report issued on compliance for major federal programs:	X	Unmodified		Qualified
		Adverse		Disclaimer

Internal control over major federal program(s):

• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?		Yes	X	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?	X	Yes		No

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

DISCTRICT OF COLUMBIA INTERNATIONAL SCHOOL

SCHEDULE OF VENDOR CONTRACTS $25,000 AND ABOVE
(UNAUDITED)
For the Year Ended June 30, 2019

Vendor	Type of Service	Amount	Conflict of Interest
MCN Build LLC	Construction services	$ 3,239,568	No
Bank of America	Interest payments on debt	2,437,572	No
WGL Energy Services Inc	Utilities	772,476	No
CareFirst BlueChoice, Inc.	Health benefits	729,560	No
Robert W. Baird & Co.	Underwriter's Fees and Closing Expenses (for bond refinancing on July 23, 2019)	415,920	No
Walking Tree Travel	Field trips	404,831	No
C.J. Maintenance, Inc	Janitorial services	361,217	No
Reinvestment Fund	Interest payments on debt	330,679	No
AstroTurf Corporation	Artificial turf for playing field	240,049	No
Revolution Foods	Student meals	236,326	No
DC Public Charter School Board	Authorizer fees	211,741	No
Amazon	Supplies	196,578	No
ASL Painting Inc	Painting and other maintenance	194,710	No
DC Health Link	Health benefits	164,743	No
W. L. Gary Company, Inc	Maintenance	160,952	No
CDW Government	Computers	160,605	No
Perkins Eastman DC, PLLC	Construction services	158,985	No
Urban Teachers	Teacher residency program	150,000	No
Total Immersion Experience	Field trips	146,135	No
Parks at Walter Reed Owners Association	Common area maintenace charges	140,891	No
Washington Group Solutions	Furniture and equipment	128,600	No
Enriched Schools	Substitue staff	123,098	No
McGuireWoods LLP	Borrower's Counsel Fee & Expenses (for bond refinancing on July 23, 2019)	115,000	No
School Leader Lab	Professional development	96,545	No
Building Hope Services	Financial Advisor (for bond refinancing on July 23, 2019)	90,000	Yes
City First Bank of DC	Interest payments on debt	86,520	No
Charter Substitute Teacher Network	Substitute staff	79,057	No
Behavioral & Educational Solutions PC	Contracted student services	78,350	No
The Hanover Insurance Group	Workers' compensation insurance and business insurance	78,090	No
S&P Global Ratings	Rating fee (for bond refinancing on July 23, 2019)	72,500	No
Principal Financial Group	Retirement plan	66,196	No
Building Hope Services	Finance and accounting services	66,000	Yes
Roots Landscaping, LLC	Contracted building services	58,082	No
UNUM Life Insurance Company of America	Life insurance	56,265	No
Lavinia Group, LLC	Literacy/math consulting	47,845	No
International Baccalaureate Organization	Professional development	45,829	No
Apple Store for Education Institution	Computers	45,160	No
Building Hope Finance	Interest payments on debt	42,579	Yes
DC Treasurer	Interest payments on debt	40,759	No
Marcum LLP	Audit and tax services	39,755	No
G&G School Bus Transportation	Transportation services	35,668	No
Brailsford & Dunlavey	Project management fees	32,623	No
DC Water	Utilities	30,161	No
Hercules Fence	Ornamental fence	28,795	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, 2019

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 (DC PCSB) fiscal year 2019 Audit Guidelines, Section Audit Reports – *Audit Package*.