TWO RIVERS PUBLIC CHARTER SCHOOL, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

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JM&M
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Independent Auditor's Report

The Board of Trustees
Two Rivers Public Charter School, Inc. and Subsidiary
Washington, DC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Two Rivers Public Charter School, Inc., (a nonprofit organization), and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Two Rivers Public Charter School, Inc. and Subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules listed on pages 27-28 and the schedule of expenditures of federal awards on page 35, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules on pages 28-29, as required by D.C, Public Charter School Board ("DCPCSB"), are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, 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 13, 2019, on our consideration of Two Rivers Public Charter School, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Two Rivers Public Charter School, Inc. and Subsidiary's internal control over financial reporting and compliance.

Jones Marcum & McQuade PA

Washington, DC
November 13, 2019

TWO RIVERS PUBLIC CHARTER SCHOOL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,665,676	$ 3,038,295
Restricted cash and cash equivalents	203,476	259,670
	3,869,152	3,297,965
Accounts receivable	259,163	239,480
Grants receivable	540,016	485,463
Pledges receivable	562	16,444
Prepaid expenses	102,629	158,685
Total Current Assets	4,771,522	4,198,037
PROPERTY AND EQUIPMENT, NET	27,597,871	26,815,798
OTHER ASSETS		
Investments	2,253,406	2,228,335
Restricted investments	540,636	522,204
Deposits	58,750	81,395
Interest rate swaps	-	17,037
Total Other Assets	2,852,792	2,848,971
TOTAL ASSETS	$ 35,222,185	$ 33,862,806
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 381,922	$ 384,604
Accrued expenses	298,272	238,547
Deferred revenue	-	16,846
Accrued interest	91,565	72,584
Long-term debt, current portion	660,447	641,268
Total Current Liabilities	1,432,206	1,353,849
LONG-TERM LIABILITIES		
Long-term debt, net	24,821,701	25,374,226
Deferred rental liability	214,562	158,589
Interest rate swaps	435,334	-
Total Long-Term Liabilities	25,471,597	25,532,815
Total Liabilities	26,903,803	26,886,664
NET ASSETS		
Without donor restrictions	7,938,709	6,678,797
With donor restrictions	379,673	297,345
Total Net Assets	8,318,382	6,976,142
TOTAL LIABILITIES AND NET ASSETS	$ 35,222,185	$ 33,862,806

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

TWO RIVERS PUBLIC CHARTER SCHOOL, INC. AND SUBSIDIARY
CONSOLIDATED 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 local appropriations	$ 13,843,806	$ -	$ 13,843,806	$ 12,476,621	$ -	$ 12,476,621
Per pupil facility allowance	2,806,180	-	2,806,180	2,592,495	-	2,592,495
Federal and entitlement grants	1,405,386	-	1,405,386	848,104	-	848,104
Private gifts and grants	349,500	265,600	615,100	254,313	288,096	542,409
State and local grants	555,988	-	555,988	286,737	-	286,737
Program service revenue	115,085	-	115,085	111,843	-	111,843
In-kind contributions	262,317	-	262,317	225,135	-	225,135
Investment income, net	66,447	-	66,447	51,621	-	51,621
Loss on disposal of asset	-	-	-	(5,900)	-	(5,900)
Net assets released from restrictions	183,272	(183,272)	-	218,622	(218,622)	-
Total Revenue and Other Support	19,587,981	82,328	19,670,309	17,059,591	69,474	17,129,065
EXPENSES						
Program and educational services	16,171,048	-	16,171,048	14,553,818	-	14,553,818
General and administrative	1,495,073	-	1,495,073	1,415,099	-	1,415,099
Fundraising	243,850	-	243,850	213,973	-	213,973
Total Expenses	17,909,971	-	17,909,971	16,182,890	-	16,182,890
CHANGE IN NET ASSETS FROM OPERATIONS	1,678,010	82,328	1,760,338	876,701	69,474	946,175
NON-OPERATING (LOSS) INCOME						
Gain (Loss) on certificates of deposit	34,273	-	34,273	(17,257)	-	(17,257)
Change in fair value of interest rate swaps	(452,371)	-	(452,371)	22,312	-	22,312
Total Non-Operating Activities	(418,098)	-	(418,098)	5,055	-	5,055
CHANGE IN NET ASSETS	1,259,912	82,328	1,342,240	881,756	69,474	951,230
NET ASSETS, beginning of year	6,678,797	297,345	6,976,142	5,797,041	227,871	6,024,912
NET ASSETS, end of year	$ 7,938,709	$ 379,673	$ 8,318,382	$ 6,678,797	$ 297,345	$ 6,976,142

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

TWO RIVERS PUBLIC CHARTER SCHOOL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program and Educational Services	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	$ 8,287,392	$ 859,215	$ 86,110	$ 9,232,717
Employee benefits	862,856	90,595	9,079	962,530
Payroll taxes	654,931	68,764	6,891	730,586
Professional development	180,835	-	-	180,835
Travel and meetings	501	-	-	501
Other staff expenses	41,079	-	-	41,079
Total Personnel Expenses	10,027,594	1,018,574	102,080	11,148,248
Direct Student Costs				
Supplies and materials	221,222	-	-	221,222
Contracted instruction fees	1,187,407	-	-	1,187,407
Food service	330,489	-	-	330,489
Textbooks	17,608	-	-	17,608
Student assessments	55,175	-	-	55,175
Other student costs	220,186	-	-	220,186
Total Direct Student Costs	2,032,087	-	-	2,032,087
Occupancy Expense				
Rent	55,465	385	123	55,973
Maintenance and repairs	71,147	494	157	71,798
Utilities	312,630	2,171	691	315,492
Contracted building services	766,905	5,325	1,694	773,924
Total Occupancy Expense	1,206,147	8,375	2,665	1,217,187
Office Expense				
Office supplies and materials	75,445	524	166	76,135
Equipment rental	20,322	141	45	20,508
Telecommunications	61,350	426	136	61,912
Professional fees	190,444	94,085	404	284,933
Printing and publications	5,346	37	12	5,395
Postage and shipping	6,554	49	14	6,617
Computer and related	120,622	838	266	121,726
Other office expenses	7,022	63	20	7,105
Total Office Expense	487,105	96,163	1,063	584,331
General Expense				
Insurance	76,590	532	169	77,291
Interest	1,200,140	8,334	2,651	1,211,125
Authorizer fees	-	164,776	-	164,776
Depreciation and amortization	1,097,823	7,623	2,426	1,107,872
Fees and licenses	42,638	296	92	43,026
Other general expenses	-	-	61,711	61,711
Donated services/products	924	190,400	70,993	262,317
Total General Expense	2,418,115	371,961	138,042	2,928,118
TOTAL EXPENSES	$ 16,171,048	$ 1,495,073	$ 243,850	$ 17,909,971

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

TWO RIVERS PUBLIC CHARTER SCHOOL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program and Educational Services	General and Administrative	Fundraising	Total
Personnel Expenses				
Salaries	$ 7,291,887	$ 761,373	$ 84,597	$ 8,137,857
Employee benefits	804,553	85,761	9,529	899,843
Payroll taxes	556,547	59,325	6,592	622,464
Professional development	112,485	-	-	112,485
Travel and meetings	887	-	-	887
Other staff expenses	52,278	-	-	52,278
Total Personnel Expenses	8,818,637	906,459	100,718	9,825,814
Direct Student Costs				
Supplies and materials	88,916	-	-	88,916
Contracted instruction fees	1,311,517	-	-	1,311,517
Food service	292,852	-	-	292,852
Textbooks	6,843	-	-	6,843
Student assessments	56,794	-	-	56,794
Other student costs	302,444	-	-	302,444
Total Direct Student Costs	2,059,366	-	-	2,059,366
Occupancy Expense				
Rent	55,465	385	123	55,973
Maintenance and repairs	89,414	621	198	90,233
Utilities	317,854	2,207	702	320,763
Contracted building services	508,529	3,531	1,123	513,183
Total Occupancy Expense	971,262	6,744	2,146	980,152
Office Expense				
Office supplies and materials	51,971	361	115	52,447
Equipment rental	26,435	184	58	26,677
Telecommunications	68,149	473	151	68,773
Professional fees	185,806	177,901	387	364,094
Printing and publications	4,513	31	10	4,554
Postage and shipping	3,442	24	8	3,474
Computer and related	119,220	828	263	120,311
Other office expenses	4,945	44	14	5,003
Total Office Expense	464,481	179,846	1,006	645,333
General Expense				
Insurance	73,342	509	162	74,013
Interest	1,083,986	7,528	2,395	1,093,909
Authorizer fees	-	142,498	-	142,498
Depreciation and amortization	1,047,019	7,271	2,312	1,056,602
Fees and licenses	35,250	244	78	35,572
Other general expenses	-	-	44,496	44,496
Donated services/products	475	164,000	60,660	225,135
Total General Expense	2,240,072	322,050	110,103	2,672,225
TOTAL EXPENSES	$ 14,553,818	$ 1,415,099	$ 213,973	$ 16,182,890

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

TWO RIVERS PUBLIC CHARTER SCHOOL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,342,240	$ 951,230
Adjustments to reconcile change in net assets		
provided by (used for) operating activities		
Depreciation and amortization of property and equipment	1,107,872	1,056,602
Amortization of debt issuance costs	107,922	104,825
Loss on disposal of asset	-	5,900
Change in fair value of interest rate swaps	452,371	(22,312)
Net change in fair value of investments	(77,652)	17,257
Gain on Certificate of Deposit	(34,273)	-
Decrease (increase) in assets:		
Accounts receivable	(19,683)	(117,178)
Grants receivable	(54,553)	(193,385)
Pledges receivable	15,882	(5,054)
Prepaid expenses	56,056	(32,960)
Deposits	22,645	(39,895)
Increase (decrease) in liabilities:		
Accounts payable	(2,682)	306,997
Accrued expenses	59,725	(155,175)
Deferred revenue	(16,846)	(47,527)
Deferred rental liability	55,973	55,972
Accrued interest	18,981	(456)
Net Cash Provided by Operating Activities	3,033,978	1,884,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposits	(1,000,000)	(1,530,302)
Sale of certificate of deposits	1,000,000	1,247,420
Purchases of property and equipment	(1,821,523)	(476,258)
Net Cash Used For Investing Activities	(1,821,523)	(759,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt issuance costs	-	(66,414)
Payments on long-term debt	(641,268)	(622,313)
Net Cash Used for Financing Activities	(641,268)	(688,727)
NET CHANGE IN CASH AND CASH EQUIVALENTS	571,187	436,974
CASH AND CASH EQUIVALENTS, beginning of year	3,297,965	2,860,991
CASH AND CASH EQUIVALENTS, end of year	$ 3,869,152	$ 3,297,965
SUPPLEMENTAL INFORMATION		
Interest paid	$ 1,084,222	$ 989,540

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

NOTE A – ORGANIZATION AND NATURE OF BUSINESS

Two Rivers Public Charter School, Inc. (the "School") was incorporated as a non-stock and not-for-profit School on April 4, 2003 under the laws of the District of Columbia. Its mission is to nurture a diverse group of students to become lifelong, active participants in their own education, develop a sense of self and community, and become responsible and compassionate members of society. It is open to any DC child in grades preschool through grade eight, and admission is free.

Two Rivers - Young QALICB, LLC, (Qualified Active Low-Income Community Business – "QALICB") is a District of Columbia limited liability company established to participate in the Internal Revenue Service's New Market Tax Credit program to finance leasehold improvements of the School's facility. The School is the sole member of the QALICB.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School and QALICB's (collectively, "Two Rivers") consolidated financial statements have been prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued

Principles of Consolidation

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic Consolidations, these consolidated financial statements include the accounts of the School and the QALICB. All material inter-organization transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

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

> *Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.
>
> *Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

Cash and Cash Equivalents

The term cash and cash equivalents as used in the accompanying consolidated financial statements includes currency on hand, demand deposits, money market accounts and highly liquid investments purchased from financial institutions with a maturity of three months or less.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents, and investments are amounts restricted by debt agreements and are held by the trustee as a reserve account, debt service, and project account.

Investments

Investments are stated at fair value. Interest is recognized on the accrual basis. Purchases and sales of investments are reflected on a trade-date basis. Net appreciation or depreciation in the fair value of investments is recognized in the consolidated statement of activities in the period in which the changes occur.

Grants and Accounts Receivable

Grants and accounts receivable are claims against third parties that will be settled in cash. Grants and accounts receivable are reported net of the allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of the outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due grants and accounts receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2019 and 2018, the majority of the receivables are due from the federal government and the District of Columbia, which by nature, management believes is fully collectible in one year or less. Therefore, no allowance for doubtful accounts has been provided.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate of 3% applicable to the year in which the contribution was made. Amortization of the discount is included in contribution revenue.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Two Rivers capitalizes all expenditures for property and equipment over $1,000 and all expenditures for repairs, maintenance, and betterment that materially prolong the useful lives of the assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to 39 years. Leasehold improvements are depreciated over the shorter of the term of the lease of useful life of the asset.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment (continued)

Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any remaining gain or loss is included in operations. Construction in progress on the Middle School includes the start of a new middle school building at the Young campus.

Contributions and Grants

Contributions received are recorded as increases in net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or the purpose of the 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. When restrictions are met within the same year as restricted funds are contributed, they are classified as contributions without donor restrictions.

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

Revenue Recognition

Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations include $3,422,965 and $2,751,458 for enhancements, such as special education, English language learners, and at-risk students, for the years ended June 30, 2019 and 2018, respectively.

Program revenue includes amounts collected for meal and uniform sales and parent fundraisers that raise funds for the benefit of the school.

Debt Issuance Costs

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In-Kind Contributions

Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Contributed services and promise to give services that do not meet the above criteria are not recognized. During the years ended June 30, 2019 and 2018, the School received in-kind legal and consulting services of $195,774 and $166,775, respectively, in-kind goods of $66,543 and $58,360, respectively.

Deferred Rental Liability

Two Rivers recognizes rent expenses, including incentives, on a straight-line basis over the term of the lease. Deferred rental liability represents the rent expense recognized on a straight-line basis in excess of cash payments.

Method Used for Allocation of Expenses from Management and General Activities

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

NOTE C – INCOME TAXES

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1). The QALICB is a disregarded entity for tax purposes and all its activity is included in the School's informational return.

The School has adopted the accounting for uncertainty in income taxes as required by the *Income Taxes* topic of the FASB ASC. The topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in Two Rivers recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for the years ending June 30, 2016 to 2018. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

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

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

	2019	2018
Cash and cash equivalents	$ 3,665,676	$ 3,038,295
Investments	2,253,406	2,228,335
Current receivable	799,741	741,387
Total Finanical Assets	6,718,823	6,008,017
Encumbered net assets with donor restrictions for the next one year	(379,673)	(297,345)
Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year	$ 6,339,150	$ 5,710,672

NOTE E – PROPERTY AND EQUIPMENT

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

	2019	2018
Land	$ 5,454,478	$ 5,454,478
Building and improvements	11,311,776	11,311,776
Leasehold improvements - Young School	15,645,581	13,814,344
Furniture and equipment	871,185	802,272
Computers	1,154,685	1,047,459
Construction in progress - Middle School	153,857	339,710
	34,591,562	32,770,039
Less: Accumulated depreciation and amortization	(6,993,691)	(5,954,241)
Property and Equipment, Net	$ 27,597,871	$ 26,815,798

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled $1,107,872 and $1,056,602, respectively.

NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value, as defined in the fair value measurement accounting guidance, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or exit price.

The guidance on fair value measurement accounting requires that Two Rivers make assumptions market participants would use in pricing an asset or liability based on the best information available. Two Rivers considers factors that were not previously measured when determining the fair value of financial instruments. These factors include nonperformance risk (the risk that the obligation will not be fulfilled) and credit risk, of the reporting entity (for liabilities) and of the counterparty (for assets). The fair value measurement guidance prohibits inclusion of transaction costs and any adjustments for blockage factors in determining the instruments' fair value. The principal or most advantageous market should be considered from the perspective of the reporting entity.

Fair value, where available, is based on observable quoted market prices. Where observable prices or inputs are not available, several valuation models and techniques are applied. These models and techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The process involves varying levels of management judgment, the degree of which is dependent on the price transparency of the instruments or market and the instruments' complexity.

To increase consistency and enhance disclosure of the fair value of financial instruments, the fair value measurement accounting guidance creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest. The three levels are defined as follows:

Level 1 - Observable inputs such as quoted prices in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means.

NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect certain assumptions by management about the assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The fair value of certificates of deposits has been provided by Two Rivers' investment managers and custodian banks, who use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

The fair value of Two River's interest rate swap is based on a calculated mathematical approximation of market values derived from proprietary models of the bank. These valuations are determined on mid-market basis and do not include bid/offered spread that would be reflected in an actual price quotation. These valuations and models rely on certain assumptions regarding past, present, and future market conditions.

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

	Level 1	Level 2	Level 3	Total
Cash	$ 40,252	$ -	$ -	$ 40,252
Certificate of deposits	-	2,753,790	-	2,753,790
Total Assets	$ 40,252	$ 2,753,790	$ -	$ 2,794,042

	Level 1	Level 2	Level 3	Total
Interest rate swaps	$ -	$ (435,334)	$ -	$ (435,334)
Total Liabilities	$ -	$ (435,334)	$ -	$ (435,334)

NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

The following table summarizes Two Rivers' liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash	$ 30,816	$ -	$ -	$ 30,816
Certificate of deposits	-	2,719,723	-	2,719,723
Interest rate swaps	-	17,037	-	17,037
Total Assets	$ 30,816	$ 2,736,760	$ -	$ 2,767,576

NOTE G – LONG-TERM DEBT

Revenue Bonds

On June 6, 2013, the District of Columbia issued $14,500,000 of Variable Rate Revenue Bonds (Series 2013 Bonds) and loaned the proceeds to the School. The Series 2013 Bonds mature June 1, 2038.

At issuance, the Series 2013 Bonds bore interest at a rate equal to 70% of the sum of one-month LIBOR and a spread of 2.21% per annum. In accordance with the terms of the agreement, the spread fluctuates with the maximum federal corporation tax rate, which was 35% from issuance through December 2017 and decreased to 21% effective January 1, 2018. The School has entered into an interest rate swap agreement with a bank that effectively fixes the interest rate on the bonds at 2.52% per annum through June 1, 2018 (see below).

In conjunction with the Series 2013 Bonds, the School entered into an agreement with a bank to purchase the Series 2013 Bonds and hold them through June 1, 2018. In accordance with this agreement, the School agreed to make monthly payments to retire the Series 2013 Bonds based on a 25-year amortization schedule. The bank's five-year commitment expired on June 1, 2018 and the Series 2013 Bonds were subject to a mandatory purchase. The Series 2013 Bonds were purchased and sold back to the bank under adjusted interest terms.

After the mandatory purchase and related sale, the Series 2013 Bonds bear interest at a rate equal to 81% of the sum of one-month LIBOR and a spread of 2.21% per annum. In accordance with the terms of the agreement, the spread fluctuates with the maximum federal corporation tax rate, which was 21% at the mandatory purchase. The School has entered into an interest rate swap agreement with a bank that effectively fixes the interest rate on the bonds at 4.15% per annum through June 1, 2023 (see below).

At the end of the bank's five-year commitment, the School will either renew this agreement or find another credit facility to support the Series 2013 Bonds that will allow them to be resold

NOTE G – LONG-TERM DEBT - continued

weekly on the open market. As of June 30, 2019 and 2018, the total outstanding debt related to this loan totaled \$11,802,339 and \$12,280,712, respectively. The interest rate effective as of June 30, 2019 and 2018 was 3.77% and 3.40% per annum, respectively. The Series 2013 Bonds are secured by the building, furniture, fixtures and equipment located at 1227 and 1234 4th Street N.E. Washington, DC.

Construction Financing

In March 2015, the School entered into a loan agreement with SunTrust, a commercial bank, to finance the construction and renovation of the Charles E. Young Elementary School ("Young School").

The loan is considered a senior loan that is secured by two subordinate loans from Building Hope, a 501(c)3 nonprofit organization, and from the Office of Public Charter School Financing and Support ("OPCSFS") pursuant to separate loan agreements. The OPCSFS loan and Building Hope loan are junior in payment and priority to the senior (SunTrust) loan and are secured on a subordinate basis by a second lien on certain property of the School. Per the terms of the senior loan, America's Charter School Finance Corporation (an affiliate of Building Hope) and OPCSFS issued credit enhancements of \$500,000 each to secure the loans. These credit enhancements are secured equally between America's Charter School Finance Corporation and OPCSFS by a third lien on the leasehold deed of trust on the Young School leasehold, rents, etc.

Under this arrangement, the maximum combined loan amount approved is \$14 million, with \$11 million from SunTrust, \$1.5 million from Office of Public Charter School Financing (OPCFS) and \$1.5 million from Building Hope. As of June 30, 2015, the total outstanding debt related to these loans totaled \$8,517,544. On December 15, 2015, the School refinanced the senior loan and subordinate loans which reduced the outstanding balance of these loans to \$0 (see other financing below).

Other Financing

The New Market Tax Credit ("NMTC") program encourages investment in real estate projects in low-income communities by allowing investors to receive tax credits against their federal income tax return in exchange for making qualified investments in Community Development Entities ("CDEs"). The CDEs' purpose is to make loans and investments in low-income communities to QALICBs.

NOTE G – LONG-TERM DEBT - continued

Other Financing (continued)

On December 15, 2015, the School entered into a transaction to refinance the senior and subordinate construction loans referred to above. The transaction included loans from SunTrust bank and OPCSFS to the School. The transaction also included loans from the CDEs, Community Urban Revitalization Enterprises VI, LLC ("CURE VI, LLC") and ST CDE XXI, LLC to the QALICB.

The following table summarizes the debt assumed by Two Rivers as a result of this transaction.

Two Rivers Public Charter School	
SunTrust Loan A	$ 1,000,000
SunTrust Loan B	3,758,838
OPCSFS Loan	1,284,503
Two Rivers - Young QALICB, LLC	
CURE VI, LLC Loan A	4,081,200
CURE VI, LLC Loan B	1,738,800
ST CDE XXI, LLC Loan A	2,040,600
ST CDE XXI, LLC Loan B	959,400
	$ 14,863,341

The SunTrust Loan A and B require monthly principal payments according to a payment schedule ranging from $9,000 to $13,000. Principal payments are first applied to Loan B until retired and then to Loan A. The loans require a principal balloon payment on the maturity date of December 15, 2020. Loan B is guaranteed by OPCSFS. Loan A and B require monthly interest payments at a rate of one-month LIBOR plus 2.75% per annum. The interest rate effective as of June 30, 2019 and 2018 on Loan A and B was 5.19% and 4.73% per annum, respectively. The School has entered into interest rate swap agreements with a bank that effectively fix the interest rate on these loans at 4.4% per annum through December 15, 2020 (see below). As of June 30, 2019 and 2018, the total outstanding debt related to Loan A totaled $1,000,000. As of June 30, 2019 and 2018, the total outstanding debt related to Loan B totaled $3,343,494 and $3,474,489, respectively.

The OPCSFS Loan requires monthly principal and interest payments based on a twenty-five-year amortization schedule. The loan bears interest at 4.5% per annum and requires a principal balloon payment on the maturity date of December 15, 2022. As of June 30, 2019 and 2018, the total outstanding debt related to this loan totaled $1,178,828 and $1,210,728, respectively

NOTE G – LONG-TERM DEBT - continued

The CURE VI, LLC Loan A requires monthly interest only payments at 4.149% per annum with a principal balloon payment on the maturity date of December 15, 2022. The loan is secured by substantially all of the assets of the QALICB. As of June 30, 2019 and 2018, the total outstanding debt related to this loan totaled $4,081,200.

The CURE VI, LLC Loan B requires monthly interest only payments at 4.149% per annum until January 1, 2025. Subsequent to January 1, 2025, the loan requires principal and interest payments based on a 182-month amortization schedule. The loan maturity date is February 1, 2040. The loan is secured by substantially all of the assets of the QALICB. As of June 30, 2019 and 2018, the total outstanding debt related to this loan totaled $1,738,800.

The ST CDE XXI, LLC Loan A requires monthly interest only payments at 4.149% per annum with a principal balloon payment on the maturity date of December 15, 2022. The loan is secured by substantially all of the assets of the QALICB. As of June 30, 2019 and 2018, the total outstanding debt related to this loan totaled $2,040,600.

The ST CDE XXI, LLC Loan B requires monthly interest only payments at 4.149% per annum until January 1, 2025. Subsequent to January 1, 2025, the loan requires principal and interest payments based on a 182-month amortization schedule. The loan maturity date is February 1, 2040. The loan is secured by substantially all of the assets of the QALICB. As of June 30, 2019 and 2018, the total outstanding debt related to this loan totaled $959,400.

Two Rivers has entered into agreements with a bank that contain certain financial and operating covenants. In the opinion of management, Two Rivers has complied with the required covenants for 2019 and 2018.

NOTE G – LONG-TERM DEBT - continued

The following summarizes long-term debt as of June 30:

	2019	2018
Two Rivers Public Charter School, Inc.		
District of Columbia Variable Rate Revenue Bonds		
(Two Rivers Public Charter School Issue)		
Series 2013	$ 11,802,339	$ 12,280,712
SunTrust Loan A	1,000,000	1,000,000
SunTrust Loan B	3,343,494	3,474,489
OPCSFS Loan	1,178,828	1,210,728
Two Rivers - Young QALICB, LLC		
CURE VI, LLC Loan A	4,081,200	4,081,200
CURE VI, LLC Loan B	1,738,800	1,738,800
ST CDE XXI, LLC Loan A	2,040,600	2,040,600
ST CDE XXI, LLC Loan B	959,400	959,400
	26,144,661	26,785,929
Less: current maturity	(660,447)	(641,268)
Less: debt issuance costs, net of		
accumulated amortization	(662,513)	(770,435)
Total Long-Term Debt, Net	$ 24,821,701	$ 25,374,226

Interest of $1,211,125 and $1,093,909 was expensed for the years ended June 30, 2019 and 2018, respectively.

Aggregate annual maturities of the debt are as follows for the years ended June 30:

2020	$ 660,447
2021	4,744,936
2022	552,382
2023	7,724,949
2024	542,538
Thereafter	11,919,409
Total	$ 26,144,661

The amortization of debt issuance costs as interest expense for the years ended June 30, 2019 and 2018 was $107,922 and $104,825.

NOTE G – LONG-TERM DEBT - continued

Debt issuance costs and accumulated amortization are as follows as of June 30:

	2019	2018
Debt issuance costs	$ 1,068,737	$ 1,068,737
Less accumulated amortization	(406,224)	(298,302)
	$ 662,513	$ 770,435

Derivative Instruments

Two Rivers entered into an interest swap agreement effective June 6, 2013 with a termination date of June 1, 2018. Upon termination, Two Rivers entered into another interest swap agreement effective June 1, 2018 with a termination date of June 1, 2023. The interest rate swap instruments, which have been designated as cash flow hedges, were determined to be fully effective. Two Rivers' interest rate swaps related to the Series 2013 Bonds had a notional value of $11,802,339 and $12,280,712 which is the full amount of the related outstanding debt at June 30, 2019 and 2018, respectively.

Under the June 6, 2013 interest rate swap agreement, Two Rivers is to pay a fixed rate of 2.52% per annum on a monthly basis, while receiving the variable rate of the Series 2013 Bonds adjusted for the related interest rate spread (see above). Subject to the terms of the agreement, upon an event of default or termination, the non-defaulting party has the option to terminate the agreement prior to the termination date. Monthly net settlement payments are recorded as interest expense in the consolidated statements of activities.

Under the June 1, 2018 interest rate swap agreement, Two Rivers is to pay a fixed rate of 2.359% per annum on a monthly basis, while receiving the variable rate of the Series 2013 Bonds adjusted for the related interest rate spread (see above). Subject to the terms of the agreement, upon an event of default or termination, the non-defaulting party has the option to terminate the agreement prior to the termination date. Monthly net settlement payments are recorded as interest expense in the consolidated statements of activities.

Two Rivers entered into two additional interest swap agreements effective December 15, 2015 with a termination date of December 15, 2020. The interest rate swap instruments, which have been designated as cash flow hedges, were determined to be fully effective. Two Rivers' interest rate swap related to SunTrust Loan A had a notional value of $1,000,000 which is the full amount of the related outstanding debt at June 30, 2019 and 2018. Two Rivers' interest rate swap related to SunTrust Loan B had a notional value of $3,343,494 and $3,474,489 which is the full amount of the related outstanding debt at June 30, 2019 and 2018. Under these interest rate swap agreements, Two Rivers is to pay a fixed rate of 4.4% per annum on a monthly basis, while

NOTE G – LONG-TERM DEBT - continued

Derivative Instruments (continued)

receiving the variable rate of the SunTrust Loan A and B (see above). Subject to the terms of the agreement, upon an event of default or termination, the non-defaulting party has the option to terminate the agreement prior to the termination date. Monthly net settlement payments are recorded as interest expense in statements of activities.

The fair value of the interest rate swaps as of June 30, 2019 and 2018 is a liability of $435,334 and an asset of $17,037, respectively. Changes in the fair value of the interest rate swaps are reported in the consolidated statement of activities.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018 were available for:

	2019	2018
PD Program	$ -	$ 976
Ann Gosier	-	4,854
Fellowships, learning challenge and student assessments	379,673	291,515
Total Net Assets With Donor Restrictions	$ 379,673	$ 297,345

NOTE I – RETIREMENT PLAN

The School maintains a salary reduction plan under Section 403(b) of the Internal Revenue Code named Two Rivers Public Charter School, Inc. 403(b) Plan (the “Plan”). Employees that are scheduled to work 20 or more hours per week are eligible to participate in the plan. The School contributes a percentage of compensation, which is determined annually by the Board of Trustees. For the years ended June 30, 2019 and 2018, the Board of Trustees approved employer contributions of 100% on the first 6% of eligible compensation and 50% of an additional 6% of eligible compensation.

The Plan also allows for discretionary non-elective employer contribution for returning staff members, to be determined annually, by the Board of Trustees.

The total retirement contributions were $292,471 and $330,862, respectively, for the years ended June 30, 2019 and 2018.

NOTE J – CONCENTRATION OF RISK

Two Rivers is supported primarily through local appropriations, federal grants, and contracts. For the fiscal years ended June 30, 2019 and 2018 approximately 85% and 88%, respectively, of total revenue was provided through local appropriations from the District of Columbia.

As of June 30, 2019 and 2018, the School had cash that exceeded federally insured limits by approximately $3,119,000 and $2,323,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

NOTE K – COMMITMENTS AND CONTINGENT LIABILITIES

Two Rivers receives revenue from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. Two Rivers is of the opinion that disallowance, if any, arising from such audits will not have a material effect on the financial statements. Two Rivers has no provision for possible disallowance of program costs on its financial statements.

NOTE L – LEASE COMMITMENTS

Effective September 1, 2015, the School entered a lease agreement with the District of Columbia to lease the Young School. The lease expires in 2040, with an option to renew for an additional 25 years. The annual base rent shall be $471,250 with a 2% increase on each anniversary of the commencement date.

During the initial term of the lease, rent abatement is available in the form of rent credits for construction costs on a dollar for dollar basis, as long as the initial construction project is at least $10 million. As of June 30, 2019 and 2018, the School incurred $15,645,581 and $13,814,344, respectively, of construction costs on the Young School, exclusive of construction currently in progress.

Future minimum lease payments on the net value as of June 30, 2019 totaled $1,755,569 and will begin in 2038, the last three years of the initial twenty-five-year lease life.

In order to secure the NMTC financing described in Note G, the School assigned all of its rights, titles and interest of the lease to the QALICB. The QALICB then entered into a sublease agreement with the School for the same facility. The sublease agreement is for a fifteen-year term, which expires December 31, 2030. Under the terms of the sublease, the School is required to make monthly payments of $29,417, which continue through June 1, 2022 and are eliminated in the consolidation. After this time, the sublease payments will be renegotiated since they are based on the interest and loan payments the QALICB is required to pay in accordance with the loan agreement.

NOTE M – CONDITIONAL PROMISE TO GIVE

Conditional promises to give are recognized as contributions when the donor-imposed conditions are substantially met. In July 2014, the School was awarded a $462,500 grant from Education Forward DC (formerly, New Schools Venture Funds) to support the mission of the School through expansion and planning, academic systems and performance, and organizational sustainability. The grant will be awarded upon specific agreed-upon conditions that the School meets timely milestones. All milestones were met, and the School received payments and therefore recognized revenue totaling $62,500 as of the year ended June 30, 2018.

NOTE N - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Two Rivers' management has evaluated events and transactions through November 13, 2019, the date Two Rivers' consolidated financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required additional disclosure or recognition.

SUPPLEMENTAL INFORMATION

TWO RIVERS PUBLIC CHARTER SCHOOL INC. AND SUBSDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019

	The School	QALICB	Elimination	Total
	ASSETS			
CURRENT ASSETS				
Cash and cash equivalents	$ 3,584,193	$ 81,483	$ -	$ 3,665,676
Restricted cash and cash equivalents	-	203,476	-	203,476
Accounts receivable	259,163	-	-	259,163
Grants receivable	540,016	-	-	540,016
Pledge receivable	562	-	-	562
Prepaid expenses	132,046	-	(29,417)	102,629
Total Current Assets	4,515,980	284,959	(29,417)	4,771,522
PROPERTY AND EQUIPMENT, NET	14,113,318	13,484,553	-	27,597,871
OTHER ASSETS				
Investments	2,253,406	-	-	2,253,406
Restricted investments	540,636	-	-	540,636
Deposits	58,750	-	-	58,750
Deferred rental asset	-	1,123,938	(1,123,938)	-
Due from related parties	1,910,872	-	(1,910,872)	-
Total Other Assets	4,763,664	1,123,938	(3,034,810)	2,852,792
Total Assets	$ 23,392,962	$ 14,893,450	$ (3,064,227)	$ 35,222,185
	LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES				
Accounts payable	$ 381,922	$ -	$ -	$ 381,922
Accrued expenses	298,272	-	-	298,272
Deferred revenue	-	29,417	(29,417)	-
Accrued interest	61,070	30,495	-	91,565
Current portion of long-term debt	660,447	-	-	660,447
Total Current Liabilities	1,401,711	59,912	(29,417)	1,432,206
LONG-TERM LIABILITIES				
Long-term debt, net	16,275,445	8,546,256	-	24,821,701
Deferred rental liability	1,123,938	214,562	(1,123,938)	214,562
Interest rate swaps	435,334	-	-	435,334
Due to related parties	-	1,910,872	(1,910,872)	-
Total Long-Term Liabilities	17,834,717	10,671,690	(3,034,810)	25,471,597
Total Liabilities	19,236,428	10,731,602	(3,064,227)	26,903,803
NET ASSETS				
Without donor restrictions	3,776,861	4,161,848	-	7,938,709
With donor restrictions	379,673	-	-	379,673
Total Net Assets	4,156,534	4,161,848	-	8,318,382
TOTAL LIABILITIES AND NET ASSETS	$ 23,392,962	$ 14,893,450	$ (3,064,227)	$ 35,222,185

TWO RIVERS PUBLIC CHARTER SCHOOL INC. AND SUBSDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	The School	QALICB	Elimination	Total
REVENUE AND SUPPORT				
Per pupil local appropriations	$ 13,843,806	$ -	$ -	$ 13,843,806
Per pupil facility allowance	2,806,180	-	-	2,806,180
Federal and entitlement grants	1,405,386	-	-	1,405,386
Private gifts and grants	615,100	-	-	615,100
State and local grants	555,988	-	-	555,988
Program service revenue	115,085	-	-	115,085
In-kind contributions	262,317	-	-	262,317
Investment income, net	66,447	-	-	66,447
Loss on disposal of assets	-	-	-	-
Rental income	-	649,586	(649,586)	-
Total Revenue and Support	19,670,309	649,586	(649,586)	19,670,309
EXPENSES				
Program and educational services	15,723,952	1,090,790	(643,694)	16,171,048
General and administrative	1,491,968	7,575	(4,470)	1,495,073
Fundraising	242,864	2,408	(1,422)	243,850
Total Expenses	17,458,784	1,100,773	(649,586)	17,909,971
CHANGE IN NET ASSETS FROM OPERATION	2,211,525	(451,187)	-	1,760,338
Gain on certificates of deposit	34,273			34,273
Change in fair value of interest rate swap	(452,371)	-	-	(452,371)
	(418,098)	-	-	(418,098)
CHANGE IN NET ASSETS	1,793,427	(451,187)	-	1,342,240
NET ASSETS, beginning of year	2,363,107	4,613,035	-	6,976,142
NET ASSETS, end of year	$ 4,156,534	$ 4,161,848	$ -	$ 8,318,382

TWO RIVERS PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER $25,000
YEAR ENDED JUNE 30, 2019

Vendor Name	Services Provided	Amount Paid
Align Staffing	Education Staffing Services	$ 448,877
Amazon	School and office supplies	72,046
AMD Enterprise, LLC	Student transportation	55,050
Apple	Computers	57,663
BenefitMall	Disability insurance	238,253
Brailsford & Dunleavy	Facilities expansion	148,324
Building Hope	Facilities expansion	92,900
Busy Bee Environmental Service	Janitorial services	433,905
Capitol Kids Therapy, LLC	Speech and language therapy	203,739
CareFirst BlueChoice	Health insurance	300,024
Carnegie Learning	Math Curriculum materials	50,498
Conaboy & Associates, Inc.	Occupational and physical therapy	288,133
Copier Workshop, Inc.	Copier maintenance	30,884
DC Public Charter School Board	Administrative fee	164,776
DC WASA	Water and sewer	72,418
Dynamic Network Solutions, Inc.	Chromebooks and charging carts	164,751
EdOps	Finance and accounting services	140,080
EL Education, Inc.	Curriculum implementation and professional development	57,100
Hartford	Business insurance	106,676
Kaiser Foundation Health Plan of the Mid-Atlantic	Health insurance	246,521
MCN Build, LLC	Construction services	3,092,082
OSSE	Loan Interest	64,270
Payroll Network, INC	Payroll processing	25,105
Pepco	Electricity	210,711
PMM Facilities	Facilities maintenance	291,013
Psychological Assessment Solutions, LLC	Psychological assessments and evaluations	26,576
Reliance Standard	Short and long-term disability	54,677
Revolution Foods, Inc.	Food services	330,252
Staples	Office supplies	42,182
Studio Twenty Seven Architecture	Architecture and engineering services for facilities expansion	112,813
SunTrust Banks, Inc.	Loan services	195,449
The Achievement Network	Curriculum - Expedition	30,070
The Math Learning Center	Math Curriculum materials	60,273
Traditional Expressions LLC	Contracted Instruction for African Drumming	39,055
Trax Sports	Health and fitness programming	120,000
Urban Teachers	Teacher residency program	100,000
Verizon	Telephone service	29,586

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

TWO RIVERS PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED FOR OVER $25,000
YEAR ENDED JUNE 30, 2019

Vendor Name	Services Provided	Approximate Value
Fire and Life Safety America, Inc.	Fire panel replacements	$ 40,000
Law Offices of Jerry Levine	Legal services	100,000
Liberty Power	Retail electricity supply	180,000
Parker Poe	Legal services	25,000

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

JM&M
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees of
Two Rivers Public Charter School, Inc. and Subsidiary
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Two Rivers Public Charter School, Inc. and Subsidiary ("Two Rivers"), which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities, and cash flows, for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Two Rivers' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Two Rivers' internal control. Accordingly, we do not express an opinion on the effectiveness of the Two Rivers' 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones Marcus & McQuade PA

Washington, DC
November 13, 2019

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees of
Two Rivers Public Charter School, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Two Rivers Public Charter School, Inc.'s (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School'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* (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 the School'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 each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, Two Rivers Public Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the School 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 the School's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the School'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 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.

Washington, DC
November 13, 2019

TWO RIVERS PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Federal Expenditures
U. S. Department of Education			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Title I Grants to Local Educational Agencies	84.010		204,024
Charter Schools	84.282		10,326
Supporting Effective Instruction State Grants (Formerly, Improving Teacher Quality State Grants)	84.367	72367A	45,499
DC Opportunity Scholarship Program	84.370	CHOICE 16	756,280
Total U.S. Department of Education			1,016,129
Special Education Cluster			
Special Education Grants to States	84.027	72027A	132,524
Special Education Preschool Grants	84.173	72173A	78
Total Special Education Cluster			132,602
Total U.S. Department of Education			1,148,731
U.S. Department of Agriculture - Food and Nutrition Service			
Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)			
Fresh Fruit and Vegetable Program	10.582		14,578
Child Nutrition Cluster			
School Breakfast Program	10.553		58,497
National School Lunch Program	10.555		142,716
Total Child Nutrition Cluster			201,213
Total U.S. Department of Agriculture			215,791
U.S. Department of Health and Human Services			
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768		21,518
Total U.S. Department of Health and Human Services			21,518
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,386,040

See accompanying notes to the Schedule of Expenditures of Federal Awards.

TWO RIVERS PUBLIC CHARTER SCHOOL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2018. The information in the Schedule 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"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in 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 expenses are not allowable or are limited as to reimbursement. The School elected not to use the 10 percent de minimis indirect cost rate. Pass through programs, agencies, and entity identifying numbers are presented where available.

NOTE C – RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures per the Schedule exclude $19,346 of federal awards provided under the Federal Communications Commission E-Rate program, which are reported as federal entitlements and grant revenue in the consolidated statement of activities. Funding under the E-Rate program is considered to be federal funds, however, does not qualify as direct financial support, and therefore, is exempt from Uniform Guidance requirements.

TWO RIVERS PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on the financial statements	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weakness?	None noted
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major program

Name of Federal Program:	DC Opportunity Scholarship Program
CFDA Number	84.370
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

TWO RIVERS PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

SECTION II – FINANCIAL STATEMENTS FINDINGS
None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
None

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS None