CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Carlos Rosario International Public Charter School and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Carlos Rosario International Public Charter School and Affiliates (collectively referred to as the School), which comprise the consolidated statement of financial position as of June 30, 2016 and 2015 and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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 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 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 auditors' 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 consolidated financial position of Carlos Rosario International Public Charter School and Affiliates as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental consolidating information and consolidated schedule of functional expenses are presented for purposes of additional analysis, and are not required parts 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 28, 2016, on our considerations of the Carlos Rosario International Public Charter School's internal control over financial reporting and 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 Carlos Rosario International Public Charter School's internal control over financial reporting and compliance.

Rubino & Company

November 28, 2016
Bethesda, Maryland

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents		
Unrestricted	$ 19,131,789	$ 19,736,237
Restricted	1,672,304	1,789,166
	20,804,093	21,525,403
Grant and other receivables	1,089	260,220
Current portion of notes receivable	202,101	192,514
Prepaid expenses and other assets	960,888	668,452
Total current assets	21,968,171	22,646,589
Investments	3,142,281	3,058,415
Note receivable	3,784,839	3,986,939
Property and equipment, net	27,735,608	29,738,326
Deferred rent receivable	248,068	168,758
Other assets	433,509	1,570,324
Cost of issuance, net	694,008	726,459
Total assets	$ 58,006,484	$ 61,895,810
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accruals	680,895	2,197,509
Accrued salaries and related expenses	1,631,083	2,593,311
Deferred revenue	27,940	33,311
Current portion of notes payable	1,072,489	534,485
Current portion of capital lease obligations	-	3,576
Total current liabilities	3,412,407	5,362,192
Interest rate swap liability	714,363	778,280
Other liabilities	353,306	289,868
Deposit	29,557	-
Notes payable	26,582,435	27,651,120
Total liabilities	31,092,068	34,081,460
Net assets		
Unrestricted	26,810,765	27,680,494
Temporarily restricted	103,651	133,856
Total net assets	26,914,416	27,814,350
Total liabilities and net assets	$ 58,006,484	$ 61,895,810

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

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and support				
Charter per pupil allotment				
Regular	$ 17,040,171	$ -	$ 17,040,171	$ 17,010,463
Facilities	6,302,357	-	6,302,357	5,990,400
	23,342,528	-	23,342,528	23,000,863
Grants and contributions	199,124	47,195	246,319	62,518
Program service - rental income	789,646	-	789,646	1,001,800
Culinary arts sales	448,234	-	448,234	389,900
Student fees and other income	333,419	-	333,419	188,607
Investment income	131,574	-	131,574	68,609
Net assets released from restrictions	77,400	(77,400)	-	-
Total revenue and support	25,321,925	(30,205)	25,291,720	24,712,297
Expenses				
Educational programs	17,745,444	-	17,745,444	16,105,585
Program services - rental operations	4,193,783	-	4,193,783	4,500,232
General and administrative	4,241,986	-	4,241,986	3,864,825
Fundraising	74,358	-	74,358	32,381
Total expenses	26,255,571	-	26,255,571	24,503,023
Changes in net assets from operations	(933,646)	(30,205)	(963,851)	209,274
Non-operating activity				
Change in interest rate swap liability, net	63,917	-	63,917	150,545
Change in net assets	(869,729)	(30,205)	(899,934)	359,819
Net assets, beginning of year	27,680,494	133,856	27,814,350	27,454,531
Net assets, end of year	$ 26,810,765	$ 103,651	$ 26,914,416	$ 27,814,350

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

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Charter per pupil allotment			
Regular	$ 17,010,463	$ -	$ 17,010,463
Facilities	5,990,400	-	5,990,400
	23,000,863	-	23,000,863
Contributions	20,317	42,201	62,518
Program service - rental income	1,001,800	-	1,001,800
Culinary arts sales	389,900	-	389,900
Student fees and other income	188,607	-	188,607
Investment income	68,609	-	68,609
Net assets released from restrictions	89,782	(89,782)	-
Total revenue and support	24,759,878	(47,581)	24,712,297
Expenses			
Educational programs	16,105,585	-	16,105,585
Program services - rental operations	4,500,232	-	4,500,232
General and administrative	3,864,825	-	3,864,825
Fundraising	32,381	-	32,381
Total expenses	24,503,023	-	24,503,023
Changes in net assets from operations	256,855	(47,581)	209,274
Non-operating activity			
Change in interest rate swap liability, net	150,545	-	150,545
Change in net assets	407,400	(47,581)	359,819
Net assets, beginning of year	27,273,094	181,437	27,454,531
Net assets, end of year	$ 27,680,494	$ 133,856	$ 27,814,350

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

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (899,934)	$ 359,819
Reconciling adjustments		
Depreciation and amortization	2,901,077	2,969,520
Net unrealized gains on investments	(50,056)	-
Changes in operating assets and liabilities		
Grants and other receivables	259,131	(46,120)
Prepaid expenses	(292,436)	(323,498)
Other assets	1,136,815	(282,902)
Accounts payable	(1,516,614)	(104,273)
Accrued salaries and related expenses	(962,228)	1,854,808
Interest rate swap liability	(63,917)	(150,545)
Deferred revenue	(5,371)	4,371
Deposits	29,557	5,833
Deferred rent	(79,310)	(92,338)
Other liabilities	597,866	(997,554)
Net cash provided by operating activities	1,054,580	3,197,121
Cash flows from investing activities		
Proceeds from certificates of deposit	1,460,190	1,305,000
Purchase of certificates of deposit	(1,494,000)	(1,318,266)
Collections on note receivable	224,964	183,381
Purchase of property and equipment	(898,359)	(1,279,275)
Net cash used by investing activities	(707,205)	(1,109,160)
Cash flows from financing activities		
Repayment of debt	(1,068,685)	(504,401)
Payments on capital lease obligation	-	(12,912)
Net cash used by financing activities	(1,068,685)	(517,313)
Net (decrease) increase in cash and cash equivalents	(721,310)	1,570,648
Cash and cash equivalents, beginning of year	21,525,403	19,954,755
Cash and cash equivalents, end of year	$ 20,804,093	$ 21,525,403

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

1. Organization

The Carlos Rosario International Public Charter School (the School) was organized in September 1998 under the District of Columbia School Reform Act of 1995. The petition to establish the School was prepared by the Carlos Rosario International Career Center (the Career Center). Both the School and the Career Center operated as separate tax-exempt organizations until May 8, 2008, at which time in connection with an agreement of merger, the Career Center was dissolved and its net assets were contributed to the School, the surviving entity.

The School's mission is to provide education that prepares the diverse adult immigrant population of Washington, DC to become invested, productive citizens and members of the American society who give back to family and community. The School accomplishes this through excellence in teaching and learning in partnership with the community by fostering a safe and compassionate learning environment.

The School offers classes to adults in subjects including English, U.S. Citizenship, GED preparation, computer literacy, culinary arts, and family literacy. There were approximately 2,011 and 2,025 students enrolled for the school years ended June 30, 2016 and 2015, respectively.

Community Capital Corporation (CCC) was incorporated on February 26, 2001, as a 501(c)(3) nonprofit corporation under the laws of the District of Columbia. CCC was founded to provide, acquire, renovate, own, and operate facilities to house community service and nonprofit organizations, primarily the School, and to serve the needs of the immigrant population of the Washington D.C. area.

Community Capital Corporation-Sonia Gutierrez Campus (CCC-SGC) was incorporated on October 10, 2012, as a nonprofit 501(c)(2) title holding corporation under the laws of the District of Columbia. CCC-SGC was formed to hold the real state property located at 514 V Street, Washington D.C., to be developed for educational uses on behalf of its parent, CCC.

Use of Estimates

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include all of the accounts of the School, CCC, and CCC-SGC. All material intercompany transactions and balances have been eliminated.

Tax Status

Under the provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, the School and CCC are exempt from taxes on income other than unrelated business income. No provision for income taxes were required for June 30, 2016 and 2015, respectively. However, tax years ended June 30, 2013 through 2015 remain open to examination by the taxing jurisdictions to which the School and CCC are subject, and they have not been extended beyond the applicable statute of limitations.

CCC-SGC is a title-holding organization, exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes is required for 2016 or 2015.

Support and Funding

The School receives a per-pupil allocation from the District of Columbia to cover the cost of academic expenses. This student allocation is on a per-pupil basis and includes academic year funding and a facilities allotment. The School recognizes the funding as revenue and support in the year in which the School term is conducted.

Grant Revenue and Support

Revenue and support from government contracts and grants that provide for cost reimbursement is recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or per-diem services are provided. Revenue recognized in excess of cash received is reported as a grant receivable. Cash received in excess of revenue recognized is reported as deferred revenue.

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable, if any, are stated at fair value, net of any applicable discounts. An allowance for bad debt is recorded for any uncollectible amounts in the period such a determination is made.

Contributions and Net Assets

Contributions and unconditional promises to give are recorded as support, at fair value, when received. Contributions and unconditional promises to give that are restricted by the donor as to time or purpose, are reported as an increase in temporarily restricted net assets. When a time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program Service Revenue

Program service revenue consists primarily of rental income. Rental income is recognized on a straight-line basis over the terms of the leases. The deferred rent asset results from the difference between cash received under leases and straight-line rental income recognized.

Cash and Cash Equivalents

The School and its affiliates maintain cash balances at various financial institutions which, at times, may exceed federally insured limits. Cash equivalents at June 30, 2016 and 2015, include money market accounts. The School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purposes of the statement of cash flows, the School and its affiliates considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents, except the cash and cash equivalents held as part of the long-term investments.

Investments

Investments in certificates of deposit are recorded at fair value, which approximates cost. The fair values of certificates of deposit are based on the custodian's analysis of interest rates, credit risk, investment terms, and other factors.

2. Summary of Significant Accounting Policies (continued)

Cost of Issuance

The entities' cost of issuance of the tax-exempt bonds refinancing and financing under the New Market Tax Credit Program (NMTC) consists of underwriters' fees, professional fees, printing, and other costs.

The cost of issuance for the bond was fully amortized in 2014 year due to the refinancing of the Harvard Street building. The bond was paid in full with the proceeds of a new term loan as discussed in Note 6. The term loan's cost of issuance was $83,764 and is being amortized on a straight-line basis over the 10-year term of the loan. The cost of issuance of the financing under the NMTC was $722,253 and is being amortized on a straight-line basis over the 32-year term of the financing under the NMTC. Amortization expense during both years ended June 30, 2016 and 2015, totaled $32,452.

Property and Equipment

The School and its affiliates capitalize all property and equipment purchased in excess of $7,500. Property and equipment is recorded at cost, and donated property is recorded at fair market value. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to twenty years. The statements of financial position also reflect assets obtained under capital lease agreements. Amortization for capital leased assets is calculated as depreciable equipment. The amortization of leasehold improvements is recorded over the shorter of the lease term or the estimated useful life of the improvements.

At the time assets are retired or otherwise disposed of, the property and related accumulated depreciation and amortization accounts are relieved of the applicable amounts and any gain or loss is credited or charged to income. Maintenance and repair costs are charged to expense as incurred.

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the programs have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and administrative services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function. General and administrative expenses include those expenses that are not directly identifiable with any specific function but that provide for the overall support and direction for the School.

Reclassification

Certain amounts on the prior-year consolidated financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through November 28, 2016, which is the date the consolidated financial statements were available to be issued.

3. Property and Equipment

The following summarizes property and equipment by major asset categories as of June 30, 2016 and 2015:

	2016	2015
Land	$ 2,082,852	$ 2,082,852
Leasehold improvements	36,284,267	35,682,692
Computers and software	2,792,103	2,775,094
Furniture and fixtures	1,227,150	1,137,302
Equipment	1,979,450	1,965,102
Capital leased equipment	81,315	81,315
Vehicles	422,379	422,379
Construction in progress	175,579	-
Total	45,045,095	44,146,736
Less: accumulated depreciation and amortization	(17,309,487)	(14,408,410)
Property and equipment, net	$ 27,735,608	$ 29,738,326

The School and CCC have capitalized costs for leasehold improvements at a property leased from the District of Columbia (Note 5). The capitalized costs include interest totaling $117,085 incurred during construction of the improvements. The capitalized balance as of June 30, 2016 and 2015, were $8,248,663 and $8,169,735, respectively, and is being amortized as discussed in Note 2.

Sonia Gutierrez Campus Property

During December 2011, CCC purchased land for approximately $2 million and title to the property was transferred to CCC-SGC during 2013. The parcel of land was developed as an additional campus to be leased by the Carlos Rosario International Public Charter School and a non-related entity (Note 5). The development costs, including furniture and fixtures, were approximately $19 million. The land acquisition has been financed by a grant totaling $2.2 million from the District of Columbia's Office of the State Superintendent of Education (OSSE). A certificate of occupancy was obtained in September 2013.

3. Property and Equipment (continued)

The construction and equipment purchase was financed by Bank of America through a qualified equity investment, under the New Market Tax Credit Program between CCC-SGC and the lenders Banc of America CDE V LLC and ESIC New Market Partners Limited Partnership (Note 6).

Total depreciation and amortization expense for the years ended June 30, 2016 and 2015 were $2,901,077 and $2,969,520, respectively.

4. Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015, are available for the following purposes:

	2016	2015
Student scholarships	$ 91,086	$ 123,856
IME BECAS - Scholarship	12,565	10,000
Temporarily restricted net assets	$ 103,651	$ 133,856

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

5. Commitments and Contingencies

Operating Lease – Harvard Street

CCC has a long term lease agreement with the District of Columbia for property that required substantial building improvements (Note 3). The lease commenced in July 2001 and expires in 2021. Future minimum payments under this non-cancelable operating lease are as follows:

Year ending June 30, 2017	$	70,000
2018		70,000
2019		70,000
2020		70,000
2021		70,000
2022		5,833
Total	$	355,833

CCC has, in turn, sublet office and classroom space in this building to the School and to an unrelated entity. The sublease agreement with the unrelated entity ended on August 1, 2014.

Rental expense under this operating lease for both years ended June 30, 2016 and 2015, was $70,000.

Sonia Gutierrez Campus

On October 12, 2012, CCC signed a sublease agreement with the School for classroom and office space developed at V Street for a period of twenty-five years commencing on the delivery date, which is the date the certificate of occupancy was issued. The sublease has been accounted as a capital lease. Under the sublease terms, the School started paying rent to CCC in October 2013.

On October 31, 2012, CCC signed a sublease agreement with an unrelated party for office and cafeteria space developed at V Street for non-exclusive use in common with other tenants for a period of fifteen years commencing on the delivery date, which is the date the certificate of occupancy was issued. Under the sublease terms, the entity started paying rent the first day of the first month following the delivery date.

5. Commitments and Contingencies (continued)

This operating sublease (Sonia Gutierrez Campus) calls for monthly rent with annual increases until the expiration of the sublease. The total lease payments are recorded as rental income on a straight-line basis over the lease period, which results in a deferred rent asset. The deferred rent balance as of June 30, 2016 and 2015, totaled $248,068 and $168,758 . Rental income for the years ended June 30, 2016 and 2015 was $2,034,732 and $1,993,210, respectively.

The minimum commitments to be collected under the V Street non-cancelable operating sublease are as follows:

Year ending June 30,	2017	$ 461,000
	2018	475,000
	2019	489,000
	2020	503,000
	2021	519,000
	2022 and thereafter	3,719,000
	Total	$ 6,166,000

Capital Leases

The School has entered into lease agreements to finance certain equipment over periods ranging from 36 to 60 months. The lease agreements have been classified as capital leases which are generally accounted for as additions to property and equipment using lease financing. There was no future minimum lease payment as of June 30, 2016, as of June 30, 2015, the future minimum lease payment totaled $3,464, net of $113 interest. Interest expense for the years ended June 30, 2016 and 2015, were $113 and $745, respectively. At June 30, 2016, the capital leases were fully amortized.

Employment Contract

The School has an employment-transition contract with its former President, which provides for future payments as services are rendered. The transition period ends upon the Executive's retirement on December 31, 2017.

The School has an employment contract with its Chief Executive Officer, which provides for future payments as services are rendered. The agreement is for a five-year period ending on August 1, 2019.

6. Long Term Liabilities

Bond Payable

On June 13, 2002, CCC issued a $9,300,000 Revenue Bond through the District of Columbia Pooled Loan Program Revenue Bond, Series A, to finance the renovation and construction of its leased facility. The bond was payable over 20 years with principal payments specified by the bond debt service schedule. The Revenue Bond was fully paid in August 2013, with the proceeds of a term loan from Bank of America, discussed below.

The bond had a floating interest rate, as established weekly by the remarketing agent, based on the London Inter-Bank Offer Rate (LIBOR). However, CCC has entered into an interest rate swap agreement discussed below. Interest expense related to the bond payable was $221,679 and $242,878 for the years ended June 30, 2016 and 2015, respectively (before adjustment for the interest rate swap discussed below).

Interest Rate Swap

CCC entered into an interest rate swap agreement through Bank of America to reduce the impact of market changes in the variable interest rate for the bonds payable. The agreement effectively changed CCC's interest rate exposure on the floating rate notes to a fixed rate of 4.79%. The interest rate swap agreement matures in 2023, prior to the time the bonds mature. CCC's credit risk is limited to the fair market value of the interest rate swap liability, which totaled $714,363 and $778,280 at June 30, 2016 and 2015, respectively. The interest rate swap is reported at fair value at year-end using a Level 2 input discussed in Note 11.

The difference to be paid or received varies as short-term interest rates change and is recognized separately as a change in unrestricted net assets on the statement of activities. The amount recorded as an increase to unrestricted net assets for the years ended June 30, 2016 and 2015, was $63,917 and $150,595, respectively.

6. Long Term Liabilities (continued)

Harvard Street Refinance

On August 1, 2013, CCC entered into a ten-year term loan agreement for $6,107,104 with Bank of America with respect to the Harvard Street campus. The proceeds of the term loan were used to pay off the bond payable described above. The first payment was due on September 1, 2013 and matures on August 1, 2023. The loan bears a floating interest rate equal to the LIBOR Daily Floating Rate plus one hundred seventy-five basis points per annum (the floating rate) (1.87 in 2016). Under the terms of the loan the interest rate swap agreement is to remain in effect.

The School has guaranteed the performance of the loan obligation. The term loan requires the School to comply with certain financial covenants. The School has met such covenants as June 30, 2016 and 2015. The outstanding balance of the term loan as of June 30, 2016 and 2015 were $4,757,341 and $5,262,279, respectively. Interest expense related to the ten-year term loan totaled $105,101 and $100,083 for the years ended June 30, 2016 and 2015.

Financing under the New Market Tax Credit Program

On October 31, 2012, CCC-SGC entered into a master loan and disbursement agreement with Banc of America CDE V, LLC, a North Carolina limited liability company (BOA CDE) and ESIC New Markets Partners Limited Partnership, a Maryland limited partnership (ESIC CDE) (collectively referred to as the lenders), to fund the development and construction of the Sonia Gutierrez Campus (Note 3). All proceeds from said loans were deposited into a NMTC loan disbursement account pursuant to periodic draw requests approved by Bank of America (the Agent).

Bank of America N.A., in its capacity as senior leverage lender, has made a leverage loan in the principal amount of $8,443,200 to the Bank of America Investment Fund. Further, CCC made a leverage loan in the principal amount of $3,518,000, known as the junior leverage loan, and Banc of America CDE V, LLC has made capital contributions to Bank of America Investment Fund in an aggregate amount of $5,038,800. Bank of America Investment Fund has been admitted as a member of Banc of America CDE V, LLC, a North Carolina limited liability company, and in consideration of such admission has contributed all of the equity funds, together with the proceeds of the junior leverage loan and the senior leverage loan to the capital of BOA CDE. In turn, CCC-SGC has signed an agreement with Banc of America CDE V LLC (lender), for the above loans known as BOA CDE loans.

6. Long Term Liabilities (continued)

Merrill Lynch NMTC Corporation (ML NMTC Lender) has made certain loans in an aggregate principal amount equal to $4,467,748 (collectively, the ML Upper Tier QLICI Loan) pursuant to a certain loan agreement by and between ML NMTC Lender and ESIC New Markets Partners Limited Partnership. In turn, CCC-SGC has signed an agreement with ESIC New Markets Partners Limited Partnership (lender), for the above loans known as ESIC CDE loans.

The terms of the loans and outstanding balances at June 30, 2016, are as follows:

BOA CDE Loan A. (Above senior leverage loan of $8,443,200). Interest is accrued monthly starting on January 15, 2013, at an interest rate of 4.34%. Principal payments are due quarterly through the maturity date of October 31, 2044.	$	8,443,200
BOA CDE Loan B. (Above Banc of America CDE capital contribution of $5,038,800). Interest is accrued monthly starting on January 15, 2013, at an interest rate of .5%. Principal payments are due quarterly through the maturity date of October 31, 2044.		5,038,800
America Investment Fund of $3,518,000). Interest is accrued monthly starting on January 15, 2013, at an interest rate of 1.0%. Principal payments are due quarterly through the maturity date of October 31, 2044.		3,518,000
ESIC CDE Loan A for $3,941,538. Interest is accrued monthly starting on January 15, 2013, at an interest rate of 4.34%. Principal payments are due quarterly through the maturity date of October 31, 2044.		3,941,538
ESIC CDE Loan B for $526,210. Interest is accrued monthly starting on January 15, 2013, at an interest rate of .5%. Principal payments are due quarterly through the maturity date of October 31, 2044.		526,210
Total	$	21,467,748

6. Long Term Liabilities (continued)

The School and CCC have guaranteed the performance of the NMTC obligations. The obligation is secured, among other things, by the operating and subsidy payments and general revenues of the School and CCC. The borrower is subject to certain financial covenants starting six months after completion of construction. The borrower has passed the financial covenants.

In addition to the aforementioned loans, CCC-SGC entered into loans with Building Hope, a Charter School Facilities Fund, and the Office of Public Charter School Financing and Support for $750,000 each. The terms of the loans and outstanding balances at June 30, 2016, are as follows:

Building Hope, a Charter School Facilities Fund loan, for $750,000. Interest is paid quarterly in arrears on the first day of each month for twelve months. The interest rate of the loan is 6%. Principal payments will commence in October 2013, based on a twenty five year amortization schedule. A balloon payment is due on the maturity date of October 1, 2019.	$ 714,918
Office of Public Charter School Financing and Support loan for $750,000. Interest is paid quarterly in arrears on the first day of each month for twelve months. The interest rate of the loan is 6%. Principal payments will commence in October 2013, based on a twenty five year amortization schedule. A balloon payment is due on the maturity date of October 1, 2019.	714,917
Total	$ 1,429,835

The following summarizes future maturities of long-term debt as of June 30, 2016:

Year ending June 30,	2017	$ 1,072,489
	2018	834,649
	2019	891,478
	2020	2,406,545
	2021	1,295,332
	2022 and thereafter	21,154,430
	Total	$ 27,654,923

7. Retirement Plans

The School sponsored a 403(b) Plan for all employees that completed 1,000 hours of eligible service. Under this Plan, the School contributed 5% of an eligible employee's base compensation. Participants have the option to rollover their balances to the newly adopted 401(k) Plan or convert their accounts to an IRA. The School plans to terminate the 403(b) Plan when all assets are distributed, as employees rollover their balances to the new 401(k) Plan, or convert their balances into an IRA.

The School adopted a 401(k) Plan effective August 15, 2013 for all employees over 21 years of age, who have completed six months of service working 17.5 hours weekly (which is equal to 408 hours for six months). This is a plan with salary deferral options (pre-tax and Roth), discretionary matching contributions, and a safe harbor non-elective contribution of 3% of employees' compensation. The matching contribution is 300% of the first 1% employees contribute from their compensation. Participants are immediately vested in all contributions. The School's pension expense for the years ended June 30, 2016 and 2015, totaled $767,523 and $545,195, respectively.

The School sponsors a nonqualified deferred compensation plan under Internal Revenue Code Section 457(b) of the Internal Revenue Code. Funds are invested in certain money market funds and are included with other assets and other liabilities in the accompanying statement of financial position. The School's obligation is limited to the market value of the invested funds which approximated $192,878 and $283,923 at June 30, 2016 and 2015, respectively.

The School also sponsors a nonqualified deferred compensation plan under Internal Revenue Code Section 457(f) of the Internal Revenue Code. Funds are invested in certain money market funds and are included with other assets and other liabilities in the accompanying statement of financial position. The School's obligation is limited to the market value of the invested funds which approximated $240,631 and $1,286,401 at June 30, 2016 and 2015, respectively.

8. Donated Services

During the years ended June 30, 2016 and 2015, the School received pro-bono legal services valued at $33,482 and $19,215, respectively. This amount is reflected as revenue and expense in the accompanying consolidated financial statements.

9. Notes Receivable

On October 1, 2013, CCC entered into a promissory note with the unrelated party who is subleasing space on the V Street campus for $976,638 to finance kitchen equipment purchases. The tem of the note is five years with an interest of 4.87% per annum. The minimum commitments to be collected under the agreement are as follows:

Year ending June 30,	2017	$ 202,101
	2018	212,166
	2019	54,672
	Total	$ 468,939

10. Postretirement Benefits – Healthcare and Dental

In addition to providing pension benefits, in fiscal year 2015, the School adopted a voluntary early retirement incentive program for the benefit of the Carlos Rosario International Charter School employees only. The program will permit eligible employees, who desire to retire following the attainment of age sixty-two but prior to the attainment of age sixty-five, an opportunity to continue to receive medical insurance from the School for a specified period of time, at the same rate and level provided to actively employed employees of the School. In order to be eligible to participate, the employee must have reached the age of 62, have been enrolled in one of the three medical plans offered by the School for at least five years, and have 15 years of full time employment with the School. Surviving spouses are not covered.

The Plan's fiscal year-end and the Plan's valuation are June 30. The School has not contributed to the postretirement benefit plan in fiscal year 2016 or 2015. There were no benefits paid by the Trust during the years ended June 30, 2016 and 2015. The Plan is currently unfunded.

A summary of the net periodic postretirement benefit costs for the year ended June 30, 2016, is as follows:

	2016	2015
Service cost	$ 34,072	$ 32,266
Interest cost	12,174	1,331
Net periodic postretirement benefit cost	$ 46,246	$ 33,597

10. Postretirement Benefits - Healthcare and Dental (continued)

The following table sets forth the financial status of the plan for the years ended June 30, 2016 and 2015:

	2016	2015
Accumulated postretirement benefit obligation (APBO):		
Active paticipants fully eligible	$ (35,154)	$ (18,974)
Active participants not fully eligible	(296,102)	(270,894)
Inactive participants	(22,050)	-
Total APBO	(353,306)	(289,868)
Plan assets at fair value	-	-
Accrued postretirement benefit cost unfunded	$ (353,306)	$ (289,868)

The weighted average discount rate used to determine the APBO was 4.20% at June 30, 2016, and the long-term inflation rate was 4.50% in 2016. For measurement purposes, assumed healthcare cost trend rates of 7% in 2016 were used, trending down to 4.50%. This rate should be achieved in 2024.

If the assumed healthcare cost trend rate were increased by 1 percentage point, the rates would increase the aggregate of interest and service cost components of the NPPBC by 15.2% or $7,029. The APBO as of June 30, 2016, would increase 11.7% or $41,337.

If the assumed healthcare cost trend rate were decreased by 1 percentage point, the rates would decrease the aggregate of interest and service cost components of the NPPBC by 12.8% or $5,920. The APBO as of June 30, 2016, would decrease 10.0% or $35,331.

10. Postretirement Benefits - Healthcare and Dental (continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid over the next ten fiscal years:

Years ending June 30, 2017	$	10,863
2018	$	22,944
2019	$	21,509
2020	$	16,704
2021	$	14,397
2022-2025	$	100,393

11. Fair Value Measurements

The School reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that the School has the ability to access.

- Level 2: Inputs to the valuation methodology include:
    - Quoted prices for similar assets or liabilities in active markets;
    - Quoted prices for identical or similar assets or liabilities in inactive markets;
    - Inputs other than quoted prices that are observable for the asset or liability;
    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

11. Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the years ended June 30, 2016 and 2015, there were no significant transfers in or out of levels 1, 2 or 3.

Following is a description of the valuation methodologies used for investments measured at fair value and their classification in the valuation hierarchy:

Investments in *money market funds* (Note 2) are valued at the net asset value of shares held by the School at year-end, which generally is $1 per each unit held. Such securities are classified within Level 1 of the valuation hierarchy.

Investments in *certificates of deposit* (Note 2) are valued by discounting the related cash flows based on current yields of similar instruments with comparable derivatives considering the credit worthiness of the issuer. Such securities are classified within Level 2 of the valuation hierarchy.

Investments in *mutual funds* (Note 2) are valued at the net asset value of shares of funds selected by the participants of the 457(b) and 457(f) plans (Note 7) as reported at year-end in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

The value of liability of the *interest rate swap,* discussed in Note 6, is calculated using models based on market parameters for all substantial terms of the contract, provided by Bank of America. This is a level 2 input disclosed above.

11. Fair Value Measurements (continued)

The following summarizes information about the fair value measurements used as June 30, 2016 and 2015:

2016	Total	Level 1	Level 2
Assets			
Money Market Funds cash equivalents (Note 2)	$ 2,579,187	$ 2,579,187	$ -
Certificates of Deposit (Note 2)	3,142,281	-	3,142,281
Mutual funds - other assets 457(b) and 457(f) Plans	433,509	433,509	-
Total assets	$ 6,154,977	$ 3,012,696	$ 3,142,281
Liabilities			
Interest swap liability	$ 714,363	$ -	$ 714,363

2015	Total	Level 1	Level 2
Assets			
Money Market Funds cash equivalents (Note 2)	$ 2,579,187	$ 2,579,187	$ -
Certificates of Deposit (Note 2)	3,058,415	-	3,058,415
Mutual funds - other assets 457(b) and 457(f) Plans	1,570,324	1,570,324	-
Total assets	$ 7,207,926	$ 4,149,511	$ 3,058,415
Liabilities			
Interest swap liability	$ 778,280	$ -	$ 778,280

12. Supplemental Cash Flow Information

Cash paid during the year June 30, 2016 and 2015 for interest totaled $1,004,267 and $801,027, respectively. Non-cash donated services received during the years 2016 and 2015, were $33,482 and $19,215, respectively.

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Educational Programs	Rental Operation	General and Administrative	Fundraising	2016 Total
PERSONNEL SALARIES AND BENEFITS					
Salaries	$ 10,259,784	$ 715,402	$ 1,568,632	$ -	$ 12,543,818
Employee benefits	2,575,055	198,022	572,581	-	3,345,658
Contract staff	6,929	-	23,188	-	30,117
Professional development	141,887	5,435	50,912	-	198,234
Total personnel, salaries and benefits	12,983,655	918,859	2,215,313	-	16,117,827
DIRECT STUDENT COSTS					
Supplies and materials	305,172	-	-	-	305,172
Transportation	50,047	-	-	-	50,047
Contracted instruction fees	25,367	-	-	-	25,367
Student assessments	13,243	-	-	-	13,243
Food service/workforce program	304,648	-	-	-	304,648
Other student costs	67,788	-	-	-	67,788
Total direct student costs	766,265	-	-	-	766,265
OCCUPANCY EXPENSES					
Rent	-	45,871	24,125	-	69,996
Maintenance and repairs	22,681	338,654	185,803	-	547,138
Utilities	-	352,350	185,306	-	537,656
Contracted building services	340,599	395,294	247,461	-	983,354
Depreciation and amortization - facility	540,628	-	-	-	540,628
Interest - facility	18,554	-	45	-	18,599
Total occupancy expenses	922,462	1,132,169	642,740	-	2,697,371
OFFICE EXPENSES					
Office supplies and materials	252,541	23,935	33,477	567	310,520
Equipment rental	499,551	-	38,519	-	538,070
Telephone and telecommunications	230,119	9,601	25,685	-	265,405
Legal/accounting /professional fees	247,081	375,328	494,344	-	1,116,753
Printing and publications	85,307	273	3,373	-	88,953
Postage and shipping	2,962	872	1,186	-	5,020
Other office expense	41,658	11,960	75,037	169	128,824
Total office expenses	1,359,219	421,969	671,621	736	2,453,545
GENERAL EXPENSES					
Insurance	152,859	64,305	52,097	-	269,261
Interest	374	887,479	97,815	-	985,668
Administration fee	215,639	-	25,083	-	240,722
Depreciation and amortization	1,196,163	737,879	458,859	-	2,392,901
Other general expense	148,808	31,123	78,458	73,622	332,011
Total general expenses	1,713,843	1,720,786	712,312	73,622	4,220,563
TOTAL EXPENSES	$ 17,745,444	$ 4,193,783	$ 4,241,986	$ 74,358	$ 26,255,571

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES

CONSOLIDATING SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION

June 30, 2016

	CRCS	CCC CCC-SGC	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents				
Unrestricted	$ 11,942,634	$ 5,610,531	$ 1,578,624	$ 19,131,789
Restricted	-	3,250,928	(1,578,624)	1,672,304
	11,942,634	8,861,459	-	20,804,093
Due from related party	54,336	503,155	(557,491)	-
Grant and other receivables	1,089	-	-	1,089
Current portion of notes receivable	-	202,101	-	202,101
Prepaid and other assets	272,366	688,522	-	960,888
Current, net investment in direct financing lease	-	229,008	(229,008)	-
Total current assets	12,270,425	10,484,245	(786,499)	21,968,171
Investments	3,142,281			3,142,281
Note receivable	-	3,784,839	-	3,784,839
Property and equipment, net	20,590,820	6,824,896	319,892	27,735,608
Deferred rent receivable	-	2,443,502	(2,195,434)	248,068
Facility repair and improvements reserve fund	1,578,624	-	(1,578,624)	-
Other assets	433,509	-	-	433,509
Cost of issuance, net	-	694,008	-	694,008
Net investment in direct financing lease	-	12,950,583	(12,950,583)	-
Deposits	127,440	-	(127,440)	-
Total assets	$ 38,143,099	$ 37,182,073	$ (17,318,688)	$ 58,006,484
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable and other accruals	$ 151,945	$ 528,950	$ -	$ 680,895
Accrued salaries and related expenses	1,533,287	97,796	-	1,631,083
Due to related party	557,491	-	(557,491)	-
Deferred revenue	27,940	-	-	27,940
Current portion of notes payable	-	1,072,489	-	1,072,489
Current portion of capital lease obligations	133,272	-	(133,272)	-
Total current liabilities	2,403,935	1,699,235	(690,763)	3,412,407
Capital lease obligations	13,046,319	-	(13,046,319)	-
Interest rate swap liability	-	714,363	-	714,363
Other liabilities	353,306	-	-	353,306
Deposits	-	156,997	(127,440)	29,557
Facility repair and improvements reserve fund	-	1,578,624	(1,578,624)	-
Deferred rent	2,195,434	-	(2,195,434)	-
Notes payable	-	26,582,435	-	26,582,435
Total liabilities	17,998,994	30,731,654	(17,638,580)	31,092,068
Net assets				
Unrestricted	20,040,454	6,450,419	319,892	26,810,765
Temporarily restricted	103,651	-	-	103,651
Total net assets	20,144,105	6,450,419	319,892	26,914,416
Total liabilities and net assets	$ 38,143,099	$ 37,182,073	$ (17,318,688)	$ 58,006,484

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	CRCS	CCC CCC-SGC	Eliminations	Total
Revenue and support				
Charter per pupil allotment				
Regular	$ 17,040,171	$ -	$ -	$ 17,040,171
Facilities	6,302,357	-	-	6,302,357
	23,342,528	-	-	23,342,528
Grants and contributions	199,124	-	-	199,124
Program service - rental income	-	5,392,936	(4,603,290)	789,646
Culinary arts sales	448,234	-	-	448,234
Student fees and other income	240,341	213,078	(120,000)	333,419
Investment income	95,969	35,605	-	131,574
Net assets released from restrictions	77,400	-	-	77,400
Total revenue and support	24,403,596	5,641,619	(4,723,290)	25,321,925
Expenses				
Educational programs	22,197,322	-	(4,451,878)	17,745,444
Program services - rental operations	-	4,272,439	(78,656)	4,193,783
General and administrative	2,765,700	1,828,988	(352,702)	4,241,986
Fundraising	74,358	-	-	74,358
Total expenses	25,037,380	6,101,427	(4,883,236)	26,255,571
Increase in unrestricted net assets from operations	(633,784)	(459,808)	159,946	(933,646)
Changes in temporarily restricted net assets				
Contributions	47,195	-	-	47,195
Net assets released from restrictions	(77,400)	-	-	(77,400)
Decrease in temporarily restricted net assets	(30,205)	-	-	(30,205)
Non-operating activity				
Change in interest rate swap liability, net	-	63,917	-	63,917
Change in net assets	(663,989)	(395,891)	159,946	(899,934)
Net assets, beginning of year	20,808,094	6,846,310	159,946	27,814,350
Net assets, end of year	$ 20,144,105	$ 6,450,419	$ 319,892	$ 26,914,416

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INDEPENDENT AUDITORS' 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*

To the Board of Trustees of
Carlos Rosario International Public Charter 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 consolidated financial statements of the Carlos Rosario International Public Charter School and Affiliates (collectively referred to as the School), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rubino & Company

November 28, 2016
Bethesda, Maryland

CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL
AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of the Carlos Rosario International Public Charter School.

2. No significant deficiencies related to the internal control of the Carlos Rosario International Public Charter School in Accordance with the District of Columbia School Reform Act, as Amended, were disclosed during the audit.

3. No instances of noncompliance material to the financial statements of Carlos Rosario International Public Charter School were disclosed during the audit.

B. AUDIT FINDINGS

None reported.

C. SUMMARY OF PRIOR AUDIT FINDINGS

None reported.