District of Columbia International School

Financial Statements

For the Years Ended June 30, 2018 and 2017

and
Report Thereon

Reports Required in Accordance with the Uniform Guidance

For the Year Ended June 30, 2018

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia International School (DCI), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia International School as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Prior Period Financial Statements

The financial statements of DCI as of June 30, 2017, were audited by other auditors whose report dated November 17, 2017, expressed an unmodified opinion on those statements.

Report on Supplemental Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of DCI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DCI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCI's internal control over financial reporting and compliance.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 19, 2018

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,713,073	$ 3,941,715
Accounts receivable	228,364	57,135
Grants receivable	364,219	134,586
Prepaid expenses	682,784	611,272
Total Current Assets	10,988,440	4,744,708
Fixed assets		
Furniture and equipment	853,762	518,076
Computer equipment	471,379	412,538
Leasehold improvements	52,895,461	23,616
Contributed land lease	1,760,000	-
Construction in progress	535,757	39,821,854
Total Fixed Assets	56,516,359	40,776,084
Less: Accumulated Depreciation and Amortization	(2,038,842)	(339,978)
Fixed Assets, Net	54,477,517	40,436,106
Other assets		
Cash restricted for debt service	1,200,705	800,179
Deferred rent receivable	141,756	-
Deposits	207,502	222,502
Interest rate cap	145,979	123,024
Total Other Assets	1,695,942	1,145,705
TOTAL ASSETS	$ 67,161,899	$ 46,326,519
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 4,034,834	$ 10,762,243
Accrued payroll and benefits	347,668	221,459
Deferred revenue	232,537	60,299
Notes payable, current portion	737,618	-
Total Current Liabilities	5,352,657	11,044,001
Sublease deposit	130,166	-
Notes payable, net of current portion	50,831,979	27,674,781
TOTAL LIABILITIES	56,314,802	38,718,782
NET ASSETS		
Unrestricted	9,103,360	7,383,966
Temporarily restricted	1,743,737	223,771
TOTAL NET ASSETS	10,847,097	7,607,737
TOTAL LIABILITIES AND NET ASSETS	$ 67,161,899	$ 46,326,519

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT						
Per pupil funding allocation	$ 11,875,661	$ -	$ 11,875,661	$ 7,391,180	$ -	$ 7,391,180
Per pupil funding – facilities allowance	2,566,953	-	2,566,953	1,624,480	-	1,624,480
Contributed land lease	-	1,760,000	1,760,000	-	-	-
Federal entitlements and grants	788,689	-	788,689	1,554,918	-	1,554,918
State government grants and contributions	163,679	-	163,679	28,591	-	28,591
Private grants and contributions	164,803	44,427	209,230	213,767	478,235	692,002
Student activity fees	335,907	-	335,907	163,853	-	163,853
Rental income	610,356	-	610,356	-	-	-
Other income	48,598	-	48,598	6,548	-	6,548
Net assets released from restriction:						
Satisfaction of time restrictions	60,690	(60,690)	-	-	-	-
Satisfaction of program restrictions	223,771	(223,771)	-	409,348	(409,348)	-
TOTAL REVENUE AND OTHER SUPPORT	16,839,107	1,519,966	18,359,073	11,392,685	68,887	11,461,572
EXPENSES						
Program Services	13,957,751	-	13,957,751	7,649,759	-	7,649,759
Supporting Services:						
General and administrative	1,002,988	-	1,002,988	623,847	-	623,847
Fundraising	181,929	-	181,929	136,580	-	136,580
	-					
Total Supporting Services	1,184,917	-	1,184,917	760,427	-	760,427
TOTAL EXPENSES	15,142,668	-	15,142,668	8,410,186	-	8,410,186
Change in net assets before change in fair value of interest rate gap	1,696,439	1,519,966	3,216,405	2,982,499	68,887	3,051,386
Change in fair value of interest rate cap	22,955	-	22,955	(350,976)	-	(350,976)
CHANGE IN NET ASSETS	1,719,394	1,519,966	3,239,360	2,631,523	68,887	2,700,410
NET ASSETS, BEGINNING OF YEAR	7,383,966	223,771	7,607,737	4,752,443	154,884	4,907,327
NET ASSETS, END OF YEAR	$ 9,103,360	$ 1,743,737	$ 10,847,097	$ 7,383,966	$ 223,771	7,607,737

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Personnel, Salaries and Benefits:								
Teaching/staff salaries	$ 4,377,967	$ -	$ -	$ 4,377,967	$ 2,782,340	$ 1,522	$ 100	$ 2,783,962
Student support salaries	832,254	15,871	-	848,125	723,535	21,594	11,094	756,223
Leadership salaries	573,253	108,457	38,254	719,964	352,761	128,921	30,328	512,010
Employee benefits	644,231	49,475	8,974	702,680	425,558	37,838	8,398	471,794
Office and administrative staff	185,967	334,109	44,900	564,976	180,312	207,251	37,890	425,453
Payroll taxes	467,842	35,929	6,517	510,288	309,909	27,555	6,116	343,580
Other personnel expenses	231,027	17,742	3,218	251,987	91,693	8,153	1,809	101,655
Staff development expense	141,340	10,854	1,969	154,163	65,429	5,818	1,291	72,538
Total Personnel, Salaries and Benefits	7,453,881	572,437	103,832	8,130,150	4,931,537	438,652	97,026	5,467,215
Direct Student Costs:								
Student travel/transportation	392,271	-	-	392,271	63,908	-	-	63,908
Student supplies and materials	246,986	-	-	246,986	189,117	-	-	189,117
Contracted instruction	231,421	-	-	231,421	102,944	-	-	102,944
Food service	199,539	-	-	199,539	133,121	-	-	133,121
Textbooks	147,618	-	-	147,618	66,312	-	-	66,312
Other student costs	55,233	-	-	55,233	57,968	-	-	57,968
Student assessment materials	50,619	-	-	50,619	31,282	-	-	31,282
Total Direct Student Costs	1,323,687	-	-	1,323,687	644,652	-	-	644,652
Occupancy Expenses:								
Interest – facilities	1,814,549	139,352	25,277	1,979,178	-	-	-	-
Depreciation and amortization – facilities	1,438,255	120,080	21,781	1,580,116	1,215	108	24	1,347
Contracted building services	284,529	44,954	8,154	337,637	3,638	323	72	4,033
Other occupancy costs	275,806	21,181	3,842	300,829	-	-	-	-
Rent	215,023	16,513	2,995	234,531	1,438,276	127,882	28,383	1,594,541
Amortization of deferred financing costs	170,561	13,099	2,376	186,036	-	-	-	-
Maintenance and repairs	72,387	5,559	1,008	78,954	50,900	4,526	1,004	56,430
Janitorial supplies	8,165	627	114	8,906	1,115	99	22	1,236
Total Occupancy Expenses	4,279,275	361,365	65,547	4,706,187	1,495,144	132,938	29,505	1,657,587

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

Continued

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017
(Continued)

	2018				2017			
	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising	Total
Office Expenses:								
Telephone/telecommunications	$ 64,434	$ 4,948	$ 898	$ 70,280	$ 12,703	$ 1,130	$ 251	$ 14,084
Office supplies and materials	49,290	3,785	687	53,762	41,256	3,668	814	45,738
Computer support fees	48,293	3,709	673	52,675	34,075	3,030	672	37,777
Equipment rental and maintenance	25,878	1,987	360	28,225	16,124	1,434	318	17,876
Postage and shipping	3,534	271	49	3,854	2,395	213	47	2,655
Total Office Expenses	191,429	14,700	2,667	208,796	106,553	9,475	2,102	118,130
General Expenses:								
Depreciation and amortization – nonfacilities	265,889	20,420	3,704	290,013	149,175	13,264	2,944	165,383
Accounting, auditing and payroll	133,735	10,270	1,863	145,868	106,475	9,467	2,101	118,043
Authorizer fee	130,094	9,991	1,812	141,897	80,540	7,161	1,589	89,290
Business fees and dues	59,229	4,549	825	64,603	43,150	3,837	-	46,987
Insurance	49,289	3,785	687	53,761	22,866	2,858	259	25,983
Other professional fees	48,766	3,745	679	53,190	44,636	3,969	881	49,486
Legal fees	16,701	1,283	233	18,217	16,250	1,445	-	17,695
Other expenses	5,776	443	80	6,299	8,781	781	173	9,735
Total General Expenses	709,479	54,486	9,883	773,848	471,873	42,782	7,947	522,602
TOTAL EXPENSES	$ 13,957,751	$ 1,002,988	$ 181,929	$ 15,142,668	$ 7,649,759	$ 623,847	$ 136,580	$ 8,410,186

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

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017
Increase (Decrease) in Cash and Cash Equivalents

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,239,360	$ 2,700,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on interest rate cap	(22,955)	350,976
Depreciation and amortization	1,870,129	166,730
Contributed land lease	(1,760,000)	-
Amortization of deferred financing costs	186,036	-
Changes in assets and liabilities:		
Accounts receivable	(171,229)	30,167
Grants receivable	(229,633)	344,708
Prepaid expenses	(71,512)	(376,827)
Deferred rent receivable	(141,756)	-
Deposits	15,000	(147,102)
Accounts payable and accrued expenses	(2,725,234)	2,747,349
Accrued payroll and benefits	126,209	28,637
Deferred revenue	172,238	60,299
Sublease deposit	130,166	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	616,819	5,905,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(18,153,715)	(31,425,242)
Transfers to restricted cash	(400,526)	(800,179)
NET CASH USED IN INVESTING ACTIVITIES	(18,554,241)	(32,225,421)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	23,835,526	28,601,922
Principal payments on long-term debt	(23,702)	-
Purchase of interest rate cap	-	(474,000)
Acquisition of loan financing costs	(103,044)	(927,141)
NET CASH PROVIDED BY FINANCING ACTIVITIES	23,708,780	27,200,781
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,771,358	880,707
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,941,715	3,061,008
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,713,073	$ 3,941,715
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid, net of capitalized interest	$ 1,979,178	$ -
NONCASH DISCLOSURE		
Fixed assets included in accounts payable and accrued expenses	$ 3,528,516	$ 7,530,691

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

1. Organization and Summary of Significant Accounting Policies

Organization

The District of Columbia International School (DCI), a District of Columbia not-for-profit corporation, was incorporated on October 4, 2012, exclusively for educational purposes. DCI operates as part of the District of Columbia Public School System and was chartered under the authority of the District of Columbia Public Charter School Board. DCI is a Middle and High School offering language immersion and inquiry-based learning. DCI currently offers the world-renowned International Baccalaureate Middle Years Program for students in the sixth through 10th grade. Advanced language programs are offered for Chinese, French and Spanish.

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

DCI member schools include the following:

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

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

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

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of money market funds.

Restricted Cash

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

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

Accounts and Grants Receivable

Accounts and grants receivable are primarily from the federal government, the District of Columbia and a sublease agreement with the Latin American Montessori Bilingual Public Charter School. Grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. DCI uses the allowance method to record potentially uncollectible accounts. Management determines the allowance for probable uncollectible receivables by reviewing all outstanding receivables for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible. As of June 30, 2018 and 2017, all accounts and grants receivable were due to be collected in less than one year and were considered fully collectible.

Fixed Assets and Related Depreciation and Amortization

Furniture, fixtures and equipment, leasehold improvements, and construction in progress are recorded at cost and include items with a cost greater than $1,000 and an estimated useful life in excess of one year. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which include three to five years for furniture, fixtures and equipment. Leasehold improvements are amortized using the straight-line method over the remaining life of the lease. Construction in progress is not depreciated until the construction is completed and the asset is placed in service. The construction in progress as of June 30, 2018 and 2017, is for the last phase of the construction services for the development of the school building located at 1400 Main Drive, NW, Washington, DC, on the former Walter Reed Medical Center property. Expenditures for major repairs and improvements are capitalized, while expenditures for minor repairs and maintenance costs are expensed when incurred.

Deferred Financing Costs

Deferred financing costs are presented as a reduction of the carrying amount of the related debt liability and the related amortization charge is included in interest expense. Deferred financing costs are amortized over the term of the loan using the straight-line method. GAAP requires that the effective yield method be used to amortize financing costs. However, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method.

Classification of Net Assets

The net assets of DCI are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of DCI.
- Temporarily restricted net assets are specifically restricted by donors for various programs or future periods.

Continued

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

Revenue Recognition

Federal and Charter School Funding

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

Grants and Contributions

Grants and contributions are reported as revenue in the year in which payments are received and/or unconditional promises to give are made. DCI reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or the purpose of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

DCI has grants with United States and state government agencies in exchange for services. Revenue from these grants is recognized as allowable costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants for which payments have not been received is reflected as grants receivable in the accompanying statements of financial position. Grant awards received but not yet expended for the purpose of the award are included as deferred revenue in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash Restricted for Debt Service

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

Continued

2. Cash Restricted for Debt Service (continued)

Amount Due On or Before	
November 1, 2017	$ 400,000
November 1, 2018	$ 400,000
November 1, 2019	$ 600,000

Withdrawals or disbursements are not allowed to be made from this account, and any earnings on the account must be reinvested into the account. The balance of this account as of June 30, 2018 and 2017, was $1,200,705 and $800,179, respectively.

3. Conditional Awards

As of June 30, 2018 and 2017, DCI had received conditional grants from funders totaling $875,000 and $626,250, respectively. These grants will be recognized as revenue when DCI launches an International Baccalaureate Career Program and Diploma Program for 11th and 12th grades. As the condition has not yet been met, these amounts are not recognized as a receivable as of June 30, 2018 and 2017, in the accompanying statements of financial position.

4. Notes Payable

On December 14, 2016, DCI entered into five loan agreements to be used to renovate building #11, commonly referred to as the former Walter Reed campus, or Delano Hall, located at 1400 Main Drive, NW, Washington, DC. The loan with Bank of America is treated as senior debt in all respect to payment and performance over the others. The remaining four subordinate loans are with Building Hope, Local Initiatives Support Corporation, Office of Public Charter School Financing and Support (OPCSFS), and the Reinvestment Fund. During the year ended June 30, 2018, DCI entered into two additional notes payable with City First Enterprises and City First Bank.

Bank of America

DCI entered into a construction loan agreement with Bank of America on December 14, 2016. The loan is not to exceed $41,789,437. The agreement bears a variable rate equal to the daily London Interbank Offered rate (LIBOR) floating rate plus 350 basis points. As of June 30, 2018 and 2017, the outstanding payable amount was $38,453,552 and $16,905,561, respectively. As of June 30, 2018 and 2017, the remaining amount available to be drawn was $3,335,885 and $24,883,876, respectively. DCI entered into an interest rate cap agreement with Bank of America to hedge a floating rate exposure. The effect of this interest rate cap is to limit the LIBOR interest rate portion to a maximum of 3.5% during the period of the cap agreement. This effectively would cap the total interest rate on this loan at 7% per annum.

Continued

4. Notes Payable (continued)

Bank of America (continued)

Principal and interest are payable in monthly installments of $275,672 beginning January 1, 2019. A balloon payment of $35,448,421 will be due on the maturity date, December 14, 2021. This loan is secured by a leasehold deed of trust assignment, security agreement and fixture filing and the building and property.

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

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

Local Initiatives Support Corporation

DCI entered into a loan agreement with Local Initiatives Support Corporation on December 14, 2016. The loan was made in the amount of $5,128,175 and bears interest at 5% per annum. Loan proceeds are obtainable through draw requests submitted by DCI for payment of expenses related to the construction project. As of June 30, 2018, the entire loan amount of $5,128,175 was drawn. The amount of loan proceeds drawn as of June 30, 2017, was $4,899,530, leaving $228,645 remaining as available to be drawn down. Principal and interest are payable in monthly installments of $29,979 beginning on January 1, 2019. A balloon payment of $4,824,433 will be due on the maturity date, December 14, 2021. Prepayments may be made at any time without penalty. This loan is secured by a security agreement and fixture filing on the property, including improvements; assignment of leases, rents, and profits; assignments of construction and architectural contracts, permits, licenses and plan, environment indemnity agreement and collateral assignment.

Reinvestment Fund

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

Continued

4. Notes Payable (continued)

Reinvestment Fund (continued)

As of June 30, 2018 and 2017, the outstanding payable amount was $5,127,259 and $4,898,369, respectively. As of June 30, 2018 and 2017, the remaining amount available to be drawn was $916 and $229,806, respectively. Principal and interest are payable in monthly installments of $32,417 beginning January 1, 2019. A balloon payment of $4,828,979 will be due on the maturity date, December 14, 2021. Prepayments may be made prior to maturity without penalty. This loan is secured by a security interest on the property and improvements; a shared second priority lien in the rents, issues, profits and leases; a continuing shared second lien in the restricted cash account and in the operating account; a continuing second priority lien on the payments; and facilities receivables.

Beginning with the fiscal year ending June 30, 2018, DCI needs to maintain a debt service coverage ratio of not less than 1.2 to 1.0. DCI also needs to maintain a lease coverage ratio of not less than 1.2 to 1.0 regarding its sublease. These covenants need to be met at the end of each fiscal year. During the period of the loan, DCI is also required to maintain unrestricted cash or cash equivalents in the amount of at least one-twelfth of its total annual operating expenses, excluding depreciation, or such greater amount as necessary to cover at any given time not less than 30 days' operating expenses. DCI met all these requirements as of and for the years ended June 30, 2018 and 2017.

City First

DCI entered into two loan agreements with City First Enterprises and City First Bank on December 15, 2017. The loans were made in the amount of $1,000,000 from City First Bank and $830,000 from City First Enterprises and bear interest at 3.25% per annum and 6% per annum, respectively. Principal and interest are payable in monthly installments of $18,987 beginning January 1, 2019. A balloon payment of $1,113,647 will be due on the maturity date, February 1, 2023. Prepayments may be made prior to maturity without penalty. This loan is secured by a security interest on the property and improvements; a fourth priority lien in the rents, issues, profits and leases; a continuing shared fourth lien in the restricted cash account and in the operating account; a continuing fourth priority lien on the payments; and facilities receivables. On December 15, 2017, DCI entered into a guaranty agreement with a third party to guaranty the principal, interest and related costs of the $1,000,000 loan.

Office of Public Charter School Financing and Support

DCI entered into a loan agreement with OPCSFS on December 16, 2016. The loan was made in the amount of $949,231 and bears interest at 4.5% per annum. Interest-only payments are due monthly through February 1, 2019, at which time both principal and interest payments will be due. Principal and interest are payable in monthly installments of $15,828 beginning January 1, 2019. A balloon payment of $899,294 will be due on the maturity date, December 14, 2021. Prepayments may be made at any time without penalty. This loan is secured by a third priority lien on a leasehold interest in the property and improvements; third priority assignment of all leases and rents from the property, per pupil payments, facility allowances, and assignment of all management, construction, architectural contracts and plans.

Continued

4. Notes Payable (continued)

Building Hope

DCI entered into a loan agreement with Building Hope on November 9, 2016. The loan was made in the amount of $949,231 and bears interest at 4.5% per annum. Interest-only payments are due monthly through February 1, 2019, at which time both principal and interest payments will be due. Principal and interest are payable in monthly installments of $5,276 beginning January 1, 2019. A balloon payment of $888,479 will be due on the maturity date, December 14, 2021. This loan is secured by a third priority lien of leasehold interest in the property; third priority assignment of all leases and rents from the property; third priority lien on per pupil payments, facility allowances, and assignment of all management, construction, architectural contracts and plans.

A summary of outstanding principal balances by source type as of June 30, 2018 and 2017, is as follows:

	2018	2017
Bank of America	$ 38,453,552	$ 16,905,561
Local Initiatives Support Corporation	5,128,175	4,899,530
Reinvestment Fund	5,127,259	4,898,369
City First	1,806,298	-
OPCSFS	949,231	949,231
Building Hope	949,231	949,231
Total Outstanding Principal Balance	$ 52,413,746	$ 28,601,922
Less: Unamortized Deferred Financing Costs	(844,149)	(927,141)
Notes Payable, Net	$ 51,569,597	$ 27,674,781

As of June 30, 2018, principal payments on the notes payable were due as follows:

For the Year Ending June 30,	
2019	$ 737,618
2020	1,473,829
2021	1,559,961
2022	47,430,159
2023	1,212,179
Total	$ 52,413,746

Total interest expense incurred related to these notes payable was $1,979,178 for the year ended June 30, 2018. Total amortization of the debt issuance costs related to these notes payable was $186,036 for the year ended June 30, 2018. There was no interest incurred or amortization of debt issuance costs for the year ended June 30, 2017.

5. Fair Value Measurement

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

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

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

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

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

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

The following table summarizes DCI's assets measured at fair value on a recurring basis as of June 30, 2017:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Cap	$ 123,024	$ -	$ 123,024	$ -

5. Fair Value Measurement (continued)

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

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

6. Charter School Funding – Per Pupil Allocation

DCI receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. Per-pupil allocation funding for the years ended June 30, 2018 and 2017, was composed of the following:

	2018	2017
General education	$ 9,361,450	$ 5,559,404
Facilities allowance	2,566,953	1,624,480
Special education	1,836,040	1,406,253
At-risk students	341,434	212,035
English as a second language	336,737	213,488
Total Per Pupil Allocation Funding	$ 14,442,614	$ 9,015,660

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

7. Temporarily Restricted Net Assets

As of June 30, 2018 and 2017, temporarily restricted net assets were available as follows:

	2018	2017
Future use (2018 – 2046) contributed land lease	$ 1,699,310	$ -
Field trips	44,427	63,235
New School Venture Fund	-	160,536
Total Temporarily Restricted Net Assets	$ 1,743,737	$ 223,771

8. Risks and Commitments

Concentration of Risk

DCI maintains its cash and cash equivalents with certain commercial financial institutions. As of June 30, 2018 and 2017, the Federal Deposit Insurance Corporation (FDIC) insured balances of a depositor at FDIC-insured institutions up to $250,000. The amount held by DCI in excess of the FDIC-insured limit as of June 30, 2018 and 2017, was approximately $9,997,000 and $3,809,000, respectively. While the amounts at times exceed the amount guaranteed and, therefore, bear some risk, DCI has not experienced, nor does it anticipate, any loss of funds.

Office of Management and Budget Uniform Guidance

DCI has instructed its independent auditors to audit its applicable federal programs for the year ended June 30, 2018, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the review by the federal or state agencies of the independent auditor's reports for the year ended June 30, 2018, will not have a material effect on DCI's financial position as of June 30, 2018, or its results of operations for the year then ended.

Major Contributor

DCI receives public funds from the District of Columbia based on the number of students it enrolls according to the UPSFF developed by the Mayor and City Council. If a significant reduction in this revenue should occur, it could have a material effect on DCI's programs. During the years ended June 30, 2018 and 2017, DCI earned per pupil funding revenue of $14,412,614 and $9,015,660, respectively, from the District of Columbia, which is approximately 79% of DCI's total revenue for each year. This revenue is reflected as per pupil funding allocation and per pupil funding – facilities allowance in the accompanying statements of activities.

Related Party

A board member of DCI is affiliated with the New Schools Venture Fund. During June 2018, this organization granted $375,000 to DCI. This grant was accounted for as a conditional grant by DCI. During the year ended June 30, 2018, $175,000 was received and recognized as deferred revenue, as the program had not yet begun.

Charter School Agreement

DCI was approved by the District of Columbia Public Charter School Board (DCPCSB) as a jointly operated co-located campus of the middle-high school campuses of five language immersion charter schools in the District of Columbia. The agreement was effective July 1, 2014, and provides for a 15-year term of operation. The contract may be renewed for successive 15-year periods if the DCPCSB deems that DCI is in compliance with its contract and District of Columbia

Continued

8. Risks and Commitments (continued)

Charter School Agreement (continued)

statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review DCI every five years, with the first review expected to occur in 2019. The DCPCSB may revoke a school contract if a school violates applicable law, materially violates the contract or fails to meet the student academic achievement expectations set forth in the charter contract. Management believes it is in compliance with all applicable laws and regulations.

Operating Leases

Building Lease (1500 Harvard Street, NW)

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

For the years ended June 30, 2018 and 2017, rent expense was $135,163 and $1,594,541, respectively, which is included in rent expense in the accompanying statements of functional expenses.

Ground Lease Agreement (1400 Main Drive, NW)

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

The term of this lease began on November 10, 2016, and ends on October 10, 2046, with annual lease payments of $50. DCI recognized contributed land lease revenue of $1,760,000 as temporarily restricted support as of August 31, 2017, at the time DCI met the condition of the lease that donated ground can only be used for a public charter school. The present value of the lease exceeded the estimated fair value of the land itself. Therefore, in accordance with GAAP, DCI recognized the contributed ground lease at the estimated fair value of the land. The resulting asset is reflected as contributed land lease in the accompanying statements of financial position. Annually, the fiscal year’s value of the space is recognized as in-kind rent expense. For June 30, 2018, in-kind rent of $60,690 was recognized and is included in depreciation and amortization – facilities in the accompanying statements of functional expenses.

For the years ended June 30, 2018 and 2017, rent expense was $99,368 and $0, respectively, which is included in rent expense in the accompanying statements of functional expenses.

Continued

8. Risks and Commitments (continued)

Operating Leases (continued)

Sublease

On November 10, 2016, DCI entered into an agreement to sublease a portion of its school. The sublease commenced when DCI's occupancy of its current space began, on August 28, 2017, and expires on August 27, 2047. As a requirement of this lease, a security deposit of $130,166 was made. A reserve in the amount of $25,000 was also required. Annual base rent for year one is $468,600, which is for the year ended June 30, 2018. Year two annual rent is $624,800 and year three annual base rent is $781,000. Each year thereafter, the base rent will increase by the lesser of (a) the percentage increase in the per pupil facilities allowance from the prior year or (b) 3%.

As of June 30, 2018 and 2017, future minimum lease payments to be received under this operating sublease were as follows:

For the Year Ending December 31,	
2019	$ 624,800
2020	781,000
2021	804,430
2022	828,563
2023	853,420
Thereafter	30,862,056
Total	$ 34,754,269

9. Pension Plan

Teachers' Retirement Plan

As authorized by the Title 38 of the Code of the District of Columbia, teachers of the District of Columbia Public School System may participate in a defined benefit plan named the "Teachers' Retirement Plan." The District of Columbia Retirement Board (DCRB) is responsible for paying benefits attributable to teacher service. An employee may elect to remain in the Teachers' Retirement Plan if that individual leaves employment with the District of Columbia Public School System and becomes an employee of a DC Public Charter School provided the election is made within 60 days of departure. To remain in the plan, the teacher must make the required employee retirement contributions and DCI must make the match contributions that the District of Columbia Government would have made to the plan. Employee contributions of 11% of annual salary are required to be made on a pre-tax basis to the plan.

9. Pension Plan (continued)

401(k) Retirement Plan

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

The combined amount of employer contributions for these two pension plans for the years ended June 30, 2018 and 2017, was $56,030 and $53,770, respectively.

10. Income Taxes

Under Section 501(c)(3) of the IRC, DCI is exempt from federal taxes on income other than net unrelated business income. For the years ended June 30, 2018 and 2017, no provision for income taxes was made, as DCI had no material net unrelated business income.

DCI reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the years ended June 30, 2018 and 2017, management did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements.

DCI’s tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

11. Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

12. Subsequent Events

In preparing these financial statements, DCI has evaluated events and transactions, for potential recognition or disclosure, through November 19, 2018, the date the financial statements were available to be issued. There were no subsequent events identified through November 19, 2018, that require recognition or disclosure in these financial statements.

Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia International School (DCI), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DCI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DCI's internal control. Accordingly, we do not express an opinion on the effectiveness of DCI's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DCI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Continued

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 19, 2018

Raffa

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the District of Columbia International School's (DCI's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DCI's major federal programs for the year ended June 30, 2018. DCI's major federal program is 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 federal statues, 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 DCI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, DCI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Continued

Report on Internal Control Over Compliance

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

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

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

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

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 19, 2018

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):				
Title I – Grants to Local Educational Agencies	84.010A	72010A/82010A	$ -	$ 294,787
Special Education – Grant to Local Educational Agencies	84.027A	72027A/82027A	-	169,672
Scholarships for Opportunity and Results (SOAR) Act	84.370C	N/A	-	78,095
Title II - Preparing, Training, and Recruiting High-Quality Teachers and Principals	84.367A	72367A/82367A	-	67,378
Title IV - Student Support and Academic Enrichment Program	84.424A	84.424A	-	10,000
Pass-through from Washington Yu Ying Public Charter School				
Title V – Charter Schools Program	84.282A	N/A	-	40,042
Total U.S. Department of Education			-	659,974
U.S. DEPARTMENT OF AGRICULTURE – FOOD AND NUTRITION SERVICE				
Pass-through from the District of Columbia Office of the State Superintendent of Education (OSSE):				
National School Lunch Program (NSLP)	10.555	N/A	-	110,931
Total U.S. Department of Agriculture			-	110,931
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ -**	**$ 770,905**

See accompanying notes to this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of DCI under programs of the federal government for the year ended June 30, 2018. The information in this 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* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of DCI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DCI.

Cost Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Federal expenditures were recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* or Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. DCI has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as DCI already has a negotiated, predetermined indirect cost rate with the federal government.

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

Expenditures per schedule of expenditures of federal awards	$ 770,905
Plus: E-rate program revenue	17,784
Total Federal Entitlements and Grants Reported in the Statement of Activities	$ 788,689

DISTRICT OF COLUMBIA INTERNATIONAL SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	X	Unmodified		Qualified
		Adverse		Disclaimer

Internal control over financial reporting:

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

Federal Awards

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

Internal control over major program(s):

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

Identification of Major Program(s):

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

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

Auditee qualified as a low-risk auditee?	X	Yes		No

B. FINDINGS − FINANCIAL STATEMENT AUDIT

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS − MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.