

**DORCAS INTERNATIONAL
INSTITUTE OF RHODE
ISLAND, INC. AND THE
INTERNATIONAL
CHARTER SCHOOL
CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2019 AND 2018**

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Consolidated Statements of Financial Position - June 30, 2019 and 2018	3
Consolidated Statements of Activities for the Years Ended June 30, 2019 and 2018	4
Consolidated Statements of Changes in Net Assets for the Years Ended June 30, 2019 and 2018	5
Consolidated Statements of Cash Flows for the Years Ended June 30, 2019 and 2018	6
Consolidated Statement of Functional Expenses for the Year Ended June 30, 2019	7
Notes to Consolidated Financial Statements	8-24
Consolidating Schedules of Financial Position - June 30, 2019 and 2018	25-28
Consolidating Schedules of Activities for the Years Ended June 30, 2019 and 2018	29-30
Consolidating Schedules of Cash Flows for the Years Ended June 30, 2019 and 2018	31-32
Consolidating Statement of Functional Expenses for the Year Ended June 30, 2019	33-34

Independent Auditors' Report

To the Board of Directors
Dorcas International Institute of Rhode Island, Inc.
The International Charter School Corporation
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 financial position of the Organization as of June 30, 2019 and 2018, 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.

Emphasis of a Matter

As discussed in Note 2, during the year ended June 30, 2019, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities and cash flows as of and for the years ended June 30, 2019 and 2018, and the consolidating statement of functional expenses for the year ended June 30, 2019, are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 a report dated September 19, 2019 on our consideration of Dorcas International Institute of Rhode Island, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Dorcas International Institute of Rhode Island, Inc.'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 Dorcas International Institute of Rhode Island, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 19, 2019

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,604,845	\$ 1,581,675
Investments	2,073,618	2,086,761
Grants receivable	1,140,190	522,633
Accounts receivable, net	448,333	538,416
Prepaid expenses and other current assets	146,387	223,181
Total current assets	<u>5,413,373</u>	<u>4,952,666</u>
Property and Equipment, Net	<u>2,952,446</u>	<u>3,050,248</u>
Total Assets	<u>\$ 8,365,819</u>	<u>\$ 8,002,914</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 409,041	\$ 305,432
Accrued expenses	687,936	701,401
Deferred revenue	45,225	22,995
Current portion of long-term debt	85,000	85,000
Total current liabilities	<u>1,227,202</u>	<u>1,114,828</u>
Long-Term Liabilities		
Long-term debt	<u>1,277,692</u>	<u>1,354,718</u>
Total liabilities	<u>2,504,894</u>	<u>2,469,546</u>
Net Assets		
Net assets without donor restrictions	5,039,977	4,904,262
Net assets with donor restrictions	820,948	629,106
Total net assets	<u>5,860,925</u>	<u>5,533,368</u>
Total Liabilities and Net Assets	<u>\$ 8,365,819</u>	<u>\$ 8,002,914</u>

The accompanying notes are an integral part of the consolidated financial statements

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Support, Revenues and Investment Return Without Donor Restrictions		
Support and revenue:		
United Way	\$ 226,856	\$ 249,813
Public grants and contracts	3,979,376	3,333,214
Private grants and contracts	356,076	511,928
Contributions	276,548	297,027
Tuition, fees and services	7,189,764	6,938,476
Medicaid services	8,598	7,766
Food services	330,398	283,004
Afterschool programs	87,554	95,921
Other income	72,747	96,783
Total support and revenue without donor restrictions	<u>12,527,917</u>	<u>11,813,932</u>
Investment return:		
Interest and dividends	47,069	43,989
Management fees	(15,753)	(17,574)
Net realized gains on sales of investments	16,533	36,447
Net unrealized appreciation of investments	49,614	22,230
Net investment return without donor restrictions	<u>97,463</u>	<u>85,092</u>
Net assets released from donor restrictions:		
Contributions satisfied by use of funds for donor restricted purpose	<u>280,876</u>	<u>386,440</u>
Total support, revenues and other without donor restrictions	<u>12,906,256</u>	<u>12,285,464</u>
Expenses:		
Program services:		
Social	2,601,306	3,900,611
Educational	7,056,653	6,813,107
Pinpoint translations	1,301,012	-
Total program services	<u>10,958,971</u>	<u>10,713,718</u>
Supporting services:		
General overhead and administration	1,631,310	1,557,171
Fundraising	180,260	183,193
Total supporting services	<u>1,811,570</u>	<u>1,740,364</u>
Total expenses	<u>12,770,541</u>	<u>12,454,082</u>
Changes in net assets without donor restrictions	<u>135,715</u>	<u>(168,618)</u>
Changes in Net Assets With Donor Restrictions		
Contributions and grants	424,776	108,000
Satisfaction of program restrictions	(280,876)	(386,440)
Interest and dividends	14,465	13,961
Net realized gains on sales of investments	16,269	14,813
Net unrealized appreciation of investments	17,208	15,339
Changes in net assets with donor restrictions	<u>191,842</u>	<u>(234,327)</u>
Increase (Decrease) in Net Assets	327,557	(402,945)
Net Assets - Beginning of Year	<u>5,533,368</u>	<u>5,936,313</u>
Net Assets - End of Year	<u>\$ 5,860,925</u>	<u>\$ 5,533,368</u>

The accompanying notes are an integral part of the consolidated financial statements

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Balance - beginning of year	\$ 4,904,262	\$ 5,072,880
Increase (decrease) in net assets without donor restrictions	<u>135,715</u>	<u>(168,618)</u>
Balance - end of year	<u>5,039,977</u>	<u>4,904,262</u>
Net Assets With Donor Restrictions		
Balance - beginning of year	629,106	863,433
Increase (decrease) in net assets with donor restrictions	<u>191,842</u>	<u>(234,327)</u>
Balance - end of year	<u>820,948</u>	<u>629,106</u>
Net Assets - End of Year	<u>\$ 5,860,925</u>	<u>\$ 5,533,368</u>

The accompanying notes are an integral part of the consolidated financial statements

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 327,557	\$ (402,945)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	308,096	304,955
Amortization of debt issuance costs to interest expense	7,974	7,974
Donated securities	(4,101)	(21,130)
Bad debt expense	13,509	12,874
Net realized gains on sales of investments	(32,802)	(51,260)
Net unrealized appreciation of investments	(66,822)	(37,569)
Investment income restricted for reinvestment	(30,734)	(28,774)
(Increase) decrease in operating assets:		
Grants receivable	(617,557)	81,308
Accounts receivable	76,574	(111,916)
Prepaid expenses	76,794	(106,025)
Increase (decrease) in operating liabilities:		
Accounts payable	103,609	69,166
Accrued expenses	(13,465)	17,632
Deferred revenue	22,230	(50,750)
Net cash provided by (used in) operating activities	<u>170,862</u>	<u>(316,460)</u>
Cash Flows from Investing Activities		
Decrease in restricted cash	-	89,699
Acquisition of property and equipment	(210,294)	(178,101)
Purchase of investments	(232,806)	(372,955)
Proceeds from sales of investments	349,674	283,604
Net cash used in investing activities	<u>(93,426)</u>	<u>(177,753)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(85,000)	(80,000)
Investment income restricted for reinvestment	30,734	28,774
Principal repayment on capital lease obligation	-	(5,836)
Net cash used in financing activities	<u>(54,266)</u>	<u>(57,062)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	23,170	(551,275)
Cash and Cash Equivalents - Beginning of Year	<u>1,581,675</u>	<u>2,132,950</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,604,845</u>	<u>\$ 1,581,675</u>

The accompanying notes are an integral part of the consolidated financial statements

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services		
	Education	Social	Pinpoint Translations	Total Program Services	Management	Fund-Raising	Total
Direct expenses:							
Grants and other assistance	\$ 31,265	\$ 238,701	\$ -	\$ 269,966	\$ -	\$ -	\$ 269,966
Salaries and wages	3,612,853	1,438,443	478,166	5,529,462	878,227	85,605	6,493,294
Employee benefits	979,777	251,623	106,670	1,338,070	131,151	11,398	1,480,619
Payroll taxes	295,784	115,644	40,583	452,011	69,318	6,667	527,996
Professional services	164,763	16,193	1,120	182,076	126,677	9,795	318,548
Contract services	107,284	117,815	562,550	787,649	33,443	17,323	838,415
Advertising	1,350	1,776	21,895	25,021	3,658	2	28,681
Office expenses	161,405	68,621	29,045	259,071	58,738	14,828	332,637
Information technology	700	55,625	11,058	67,383	76,524	5,543	149,450
Building related expenses	395,724	95,133	10,847	501,704	79,692	10,262	591,658
Travel and vehicle expense	25,169	11,266	11,345	47,780	2,233	24	50,037
Conferences and meetings	5,811	13,811	3,442	23,064	53,232	1,643	77,939
Subrecipient payments	304,567	74,846	1,168	380,581	1,116	-	381,697
Student costs	715,274	-	-	715,274	-	-	715,274
Insurance	30,313	19,722	3,550	53,585	6,358	268	60,211
Equipment, licenses and fees	30,831	240	-	31,071	1,099	-	32,170
Special events	910	926	2,129	3,965	2,275	8,099	14,339
Miscellaneous	156	1,200	8,147	9,503	82,988	7,023	99,514
Total direct expenses	6,863,936	2,521,585	1,291,715	10,677,236	1,606,729	178,480	12,462,445
Depreciation	192,717	79,721	9,297	281,735	24,581	1,780	308,096
Total Expenses	\$ 7,056,653	\$ 2,601,306	\$ 1,301,012	\$ 10,958,971	\$ 1,631,310	\$ 180,260	\$ 12,770,541

The accompanying notes are an integral part of the consolidated financial statements

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION

The International Institute of Rhode Island, Inc., was organized in 1941 as a nonprofit corporation for the purpose of providing immigrants and refugees in Southeastern New England with educational and social services to enable them to become self-reliant and productive members of society, and to enable them to participate fully in the social, educational, economic and cultural opportunities available to all Americans. Effective January 1, 2013, the International Institute of Rhode Island, Inc., acquired Dorcas Place Adult and Family Learning Center, Inc. (Dorcas) and changed its name to the Dorcas International Institute of Rhode Island, Inc. (the Institute).

The Institute's mission is to empower individuals and families, especially the underserved, immigrants and refugees, to become self-sufficient and fully participating members of the community through innovative programs and advocacy that promote education, training and cultural understanding. The Institute offers a comprehensive range of programs and services to assist adults and families realize their full potential.

In furtherance of its mission, the Institute's principal activities are:

- Classroom education, including adult basic education, English language learning, family literacy, career-focused training, computer training and GED preparation.
- Immigration and citizenship counseling and informational workshops.
- Interpreting and translating services in over 60 languages.
- Refugee resettlement, including initial resettlement and a variety of employment and support services.
- Welcoming Rhode Island initiative and cross-cultural adjustment.
- Other related services to meet the needs of area community members.

The International Charter School Corporation (the School) is a multilingual, multicultural elementary school. It was organized in 2001 as a nonprofit corporation and began operations in Pawtucket, Rhode Island, in the fall of 2001. The goals of the School include:

- Providing a culturally sensitive and inclusive public school option.
- Teaching children of all cultural backgrounds to appreciate diversity and participate in a global society.
- Balancing high standards of literacy and numeracy with respect for diverse languages.

The Dorcas International Institute of Rhode Island, Inc. is the sole corporate member of The International Charter School Corporation. In accordance with the School's by-laws, the Institute has a controlling interest over the activity and corporate governance of the School. In addition, the Institute has an economic interest in the School. Accordingly, the financial statements of the Institute and the School are presented on a consolidated basis (collectively referred to as the Organization).

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended June 30, 2019. The amendments have been retrospectively applied, with the exception of a statement of functional expenses and disclosures on liquidity and availability of resources for the year ended June 30, 2018.

Principles of Consolidation

The consolidated financial statements include the accounts of the Institute and the School. All significant intercompany transactions and balances have been eliminated.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Organization are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure and the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Use of Estimates

The preparation of consolidated 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. Estimates also affect the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

The Organization considers all cash and cash equivalents with restrictions imposed by donors limiting its use as restricted.

Accounts Receivable

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts of \$9,030 at June 30, 2019 and 2018. On a periodic basis, the Organization evaluates its accounts receivable and adjusts the allowance for doubtful accounts, if necessary, based on current credit conditions. Accounts are written off based on management's evaluation of the collectability of each account resulting from collection efforts.

Grants Revenues and Receivable

Grants and contracts are restricted by the grantors for particular operating purposes. These funds are deemed to be earned and reported as revenues when the Organization has incurred expenses in compliance with the specific restrictions. Such amounts received but not yet earned, are reported as deferred revenue. Such amounts earned but not yet received are reported as grants receivable.

Investments

Investments in marketable securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment returns, including dividends, interest and appreciation or depreciation are included in net assets without restriction unless their use is restricted by explicit donor stipulations or law. Purchases and sales of investments are recorded on the trade date basis.

Property and Equipment

All acquisitions of property and equipment of \$1,000 or more are capitalized. Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the expected useful lives of the assets.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without restriction unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net asset with restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the asset is placed in service, at which time the Organization reclassifies net assets with restrictions as net assets without restrictions.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Deferred Financing Costs

Costs incurred to issue bonds are amortized over the term of the bonds using the straight-line method. The bond issue costs are presented as a direct deduction of the carrying amount of the debt. Amortization of the bond issue costs is included in interest expense, which is included in program service and general overhead and administration expenses in the consolidated statements of activities.

Program Service Fees and Contracts

The School charges tuition fees to local municipalities and records revenue ratably over the period for which it is earned. The School also receives funding from the State of Rhode Island to fund certain federal programs. The Institute recognizes service fee revenue at the time the services are provided and recognizes contract revenues in accordance with the contract agreement.

Contributions

Unconditional promises to give are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Goods and Services

Contributions of goods and services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated goods and services recorded in the consolidated statement of activities were \$-0- for the years ended June 30, 2019 and 2018.

The Organization receives a substantial amount of services donated by volunteers interested in the Organization's programs. Volunteers help in many ways, such as tutoring students in English, assisting teachers, translating documents, assisting refugees, performing clerical work and helping to organize social and fundraising events. The consolidated financial statements do not include the value of these donated services because they do not meet the criteria for recognition.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques. Such allocations are determined by management on an equitable basis. In addition, management has determined that any allocation for interest is not significant to the Organization and is included in management and general expenses.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Grants and other assistance	Time and effort
Salaries and wages	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Professional services	Time and effort
Contract services	Time and effort
Advertising	Time and effort
Office expenses	Usage
Information technology	Square footage
Building related expenses	Square footage
Travel and vehicle expense	Usage
Conferences and meetings	Time and effort
Subrecipient payments	Time and effort
Student costs	Usage
Insurance	Square footage
Equipment, licenses and fees	Usage
Special events	Time and effort
Depreciation	Square footage

Income Taxes

No provision for federal and state income taxes has been reflected in the accompanying consolidated financial statements since the Institute and the School qualify as tax-exempt organizations as provided under the Internal Revenue Code, Section 501(c)(3). The Internal Revenue Service has classified the Institute and the School as organizations which are public charities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization reports tax-related interest and penalties, if any, as a component of general overhead and administration expense.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advertising Costs

The Organization expenses advertising costs when incurred. For the years ended June 30, 2019 and 2018, advertising expense totaled \$28,681 and \$46,369, respectively.

Subsequent Events

Subsequent events have been evaluated through September 19, 2019, which is the date the consolidated financial statements were available for issuance.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Organization to credit risk consist of cash and cash equivalents, investments and grants receivable.

Cash, Cash Equivalents and Investments

The Organization maintains the majority of its cash, cash equivalents and investment balances with domestic financial institutions that the Organization believes are of high credit standing. The Organization's credit risk with respect to such balances is all amounts on deposit in excess of federally insured limits.

Revenue and Grants Receivable

At June 30, 2019, grants receivable included amounts due from four grantors representing approximately 76% of the outstanding balance. At June 30, 2018, there were four grantors representing approximately 66% of the outstanding balance.

The Organization receives a substantial portion of its revenue from federal and state sources.

NOTE 4 - INVESTMENTS

Investments are stated at fair value and consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Common stocks	\$ 1,328,224	\$ 1,332,629
Mutual funds	237,910	210,029
Corporate and government bonds	482,575	510,708
REIT's	<u>24,909</u>	<u>33,395</u>
Investments	<u>\$ 2,073,618</u>	<u>\$ 2,086,761</u>

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is the composition of investment return for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 61,534	\$ 57,950
Unrealized gain on investments, net	66,822	37,569
Realized gains, net	<u>32,802</u>	<u>51,260</u>
Total Investment Return	<u>\$ 161,158</u>	<u>\$ 146,779</u>

NOTE 5 - FAIR VALUE INFORMATION

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 1 assets include mutual funds that are valued at the quoted price of shares held by the Organization at year end. Level 1 assets also include U.S. government securities, corporate bonds, common stocks and REIT's which are valued at quoted closing prices.

Level 2

Observable prices, other than quoted prices within Level 1, including:

- 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 measurements.

The asset 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.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of assets measured on a recurring basis at June 30, 2019 is as follows:

	<u>Level 1</u>	<u>Total</u>
Common stocks:		
Consumer discretionary	\$ 115,612	\$ 115,612
Consumer staples	66,580	66,580
Energy	60,310	60,310
Financials	331,983	331,983
Healthcare	95,548	95,548
Industrials	110,941	110,941
Information technology	331,891	331,891
Materials	16,025	16,025
Telecommunication services	19,941	19,941
Utilities	11,898	11,898
Other equities	167,495	167,495
Total common stocks	<u>1,328,224</u>	<u>1,328,224</u>
Mutual funds:		
Financials	49,080	49,080
Information technology	22,376	22,376
AAA Bonds	54,270	54,270
A Bonds	13,214	13,214
BBB Bonds	59,737	59,737
B Bonds	39,233	39,233
Total mutual funds	<u>237,910</u>	<u>237,910</u>
Corporate and government bonds:		
AAA	237,327	237,327
A	50,452	50,452
BBB	147,108	147,108
BB	25,938	25,938
B	21,750	21,750
Total corporate and government bonds	<u>482,575</u>	<u>482,575</u>
REIT	<u>24,909</u>	<u>24,909</u>
Total Investments	<u>\$ 2,073,618</u>	<u>\$ 2,073,618</u>

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fair value of assets measured on a recurring basis at June 30, 2018 is as follows:

	Level 1	Total
Common stocks:		
Consumer discretionary	\$ 112,890	\$ 112,890
Consumer staples	54,747	54,747
Energy	52,971	52,971
Financials	330,902	330,902
Healthcare	105,474	105,474
Industrials	106,289	106,289
Information technology	291,678	291,678
Materials	24,026	24,026
Telecommunication services	18,132	18,132
Utilities	23,492	23,492
Other equities	212,028	212,028
Total common stocks	1,332,629	1,332,629
Mutual funds:		
Financials	46,528	46,528
Industrials	24,220	24,220
AAA Bonds	63,673	63,673
A Bonds	12,525	12,525
BBB Bonds	44,839	44,839
B Bonds	18,244	18,244
Total mutual funds	210,029	210,029
Corporate and government bonds:		
AAA	241,292	241,292
A	23,618	23,618
BBB	200,660	200,660
BB	24,438	24,438
B	20,700	20,700
Total corporate and government bonds	510,708	510,708
REIT	33,395	33,395
Total Investments	\$ 2,086,761	\$ 2,086,761

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 343,055	\$ 343,055
Buildings and improvements	3,468,225	3,325,883
Leasehold improvements	2,261,480	2,243,741
Playground	147,073	139,812
Furniture and equipment	1,341,481	1,298,529
	<u>7,561,314</u>	<u>7,351,020</u>
Less accumulated depreciation	<u>4,608,868</u>	<u>4,300,772</u>
Net Property and Equipment	<u>\$ 2,952,446</u>	<u>\$ 3,050,248</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$308,096 and \$304,955, respectively.

NOTE 7 - DEFERRED REVENUE

Deferred revenue related to the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Immigration and refugee resettlement	\$ 14,054	\$ 13,312
Fall registrations	6,845	8,500
Other	<u>24,326</u>	<u>1,183</u>
Total Deferred Revenue	<u>\$ 45,225</u>	<u>\$ 22,995</u>

The Organization receives revenue for immigrant and refugee resettlement and family literacy programs, and the \$14,054 and \$13,312 represents funds not yet distributed to and used for the benefit of participants in the program in 2019 and 2018, respectively.

NOTE 8 - LINE OF CREDIT

The Institute has a commercial line of credit bearing interest at the prime rate, 5.50% as of June 30, 2019, and is due on demand. There was no balance owed on the line of credit at June 30, 2019 and 2018. The line is secured by the commercial real estate located at 220 Elmwood Avenue, Providence, Rhode Island. The total funds available to be drawn upon were \$500,000 as of June 30, 2019.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT

The Institute entered into an agreement with the Rhode Island Health & Educational Building Corporation (RIHEBC) for the issuance of \$2,600,000 of variable interest rate bonds to finance the acquisition, construction, improvement and equipping of the School facility. Interest on these bonds is payable on August 1 and February 1 of each year and the bonds mature on August 1, 2033. The variable interest rate at issuance was 0.8% and the bonds are secured by a letter of credit and a pledge of gross receipts. The variable rate was 2.01% and 1.36% as of June 30, 2019 and 2018. Annual principal payments on the bonds are adjusted gradually each year through 2034 and range between \$55,000 and \$135,000.

Long-term debt at June 30, 2019 and 2018 is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Principal</u>	<u>Unamortized Bond Issuance Costs</u>	<u>Principal</u>	<u>Unamortized Bond Issuance Costs</u>
2003 Series Bonds Payable	\$ 1,475,000	\$ <u>112,308</u>	\$ 1,560,000	\$ <u>120,282</u>
Less current portion	<u>85,000</u>		<u>85,000</u>	
Long-term portion	1,390,000		1,475,000	
Less unamortized bond issuance costs	<u>112,308</u>		<u>120,282</u>	
Long-Term Debt, Net	\$ <u>1,277,692</u>		\$ <u>1,354,718</u>	

Annual maturities on long-term debt are as follows:

Year Ending June 30

2020	\$ 85,000
2021	90,000
2022	90,000
2023	95,000
2024	100,000
Thereafter	<u>1,015,000</u>
Total long-term debt	1,475,000
Less current portion of long-term debt	<u>85,000</u>
Net Long-Term Debt	\$ <u>1,390,000</u>

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In connection with the bonds payable and letter of credit, the Organization is subject to various covenants as to the minimum amount of cash on hand, the maintenance of a maximum leverage ratio, and the maintenance of certain debt coverage ratios. As of June 30, 2019, management is not aware of any violations of the covenants.

The Organization incurred and paid interest costs of \$23,884 and \$27,808 (including \$7,974 for each year of amortization of deferred finance fees) for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - OPERATING LEASES

On November 1, 2014, the International Charter School entered into a long-term lease (three years) agreement to rent space for the School's operations. The lease for this space provides for monthly installments of \$8,438, adjusted for the tenant's pro-rata share of insurance, taxes and relevant expenses, through October 31, 2017.

On November 1, 2017, the International Charter School entered into a long-term lease (two years) agreement to rent space for the School's operations. The lease for this space provides for monthly installments of \$10,000, adjusted for the tenant's pro-rata share of insurance, taxes and relevant expenses, through October 31, 2019.

Rental expense totaled \$120,000 and \$113,752 for the years ended June 30, 2019 and 2018, respectively.

The Organization has entered into several other lease agreements for office equipment with varying terms through 2020. Lease expense for the above noted leases totaled \$22,065 and \$23,820 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under the above noted operating lease obligation are as follows:

Year Ending June 30

2020	\$ <u>59,690</u>
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NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,604,845
Investments	2,073,618
Grants receivable	1,140,190
Accounts receivable, net	<u>448,333</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u>5,266,986</u>

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short term investments. The Organization also has a line of credit it could draw upon in the event of an unanticipated liquidity need.

NOTE 12 - NET ASSETS

Net Assets with Donor Restrictions

The following is the composition of the Organization's net assets with donor restrictions at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted in perpetuity:		
Investments restricted in perpetuity	\$ <u>600,895</u>	\$ <u>552,953</u>
Other net assets with donor restrictions:		
Education	-	15,000
Building renovations	79,500	-
Social services - outreach	100,731	12,796
Refugee services	34,076	41,357
Organizational costs	5,746	7,000
Total other net assets with donor restrictions:	<u>220,053</u>	<u>76,153</u>
Total Net Assets with Donor Restrictions	\$ <u><u>820,948</u></u>	\$ <u><u>629,106</u></u>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the following purpose or time restrictions:

	<u>2019</u>	<u>2018</u>
Institute:		
Building renovations	\$ 146,215	\$ 89,300
Education	15,000	8,100
Social services - outreach	39,125	42,204
Refugee services	57,282	246,612
Organizational costs	23,254	-
Total institute net assets released	<u>280,876</u>	<u>386,216</u>
School:		
Educational programs	<u>-</u>	<u>224</u>
Total Net Assets Released	\$ <u><u>280,876</u></u>	\$ <u><u>386,440</u></u>

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Endowment

The Institute's endowment represents the Friedman Fund, which was established in 1985 by the family of Samuel Friedman in his honor. Net investment income and realized and unrealized gains (losses) have been added to (subtracted from) the principal in accordance with donor restrictions and intentions. This restriction is to continue to add the investment earnings to the Fund until the Friedman Fund equals or exceeds \$500,000, at which time the income may be used to support the educational programs of the Institute. At June 30, 2019 and 2018, the fair value of the Friedman Fund was \$600,895 and \$552,953, respectively.

Interpretation of Relevant Law

The Board of Directors of the Institute has interpreted the State of Rhode Island's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute has classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanent endowment is classified as net assets with restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Institute and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Institute;
7. The investment policies of the Institute.

Endowment Net Asset Composition as of June 30, 2019

	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ 600,895	\$ 600,895

Endowment Net Asset Composition as of June 30, 2018

	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ 552,953	\$ 552,953

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in Endowment Net Asset Composition for the Fiscal Year Ended June 30, 2019:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 552,953	\$ 552,953
Investment return:		
Investment income	30,734	30,734
Net appreciation (unrealized)	17,208	17,208
Total investment return	<u>47,942</u>	<u>47,942</u>
Endowment Net Assets - End of Year	<u>\$ 600,895</u>	<u>\$ 600,895</u>

Changes in Endowment Net Asset Composition for the Fiscal Year Ended June 30, 2018:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 508,840	\$ 508,840
Investment return:		
Investment income	28,774	28,774
Net depreciation (unrealized)	15,339	15,339
Total investment return	<u>44,113</u>	<u>44,113</u>
Endowment Net Assets - End of Year	<u>\$ 552,953</u>	<u>\$ 552,953</u>

Return Objectives and Risk Parameters

The Institute has adopted investment policies for endowment assets that attempt to generate funds to serve the mission and goals of the Institute. The basic investment objective of the fund is to achieve an appropriate level of growth and income while enhancing the inflation adjusted value of the principal over time. The funds should be invested to produce maximum total return consistent with prudent risk limits. In addition, the fund should avoid investments that are contrary to the mission of the Institute.

Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, and turnover are left to the complete discretion of the investment manager. Such decisions are subject to the guidelines set forth in this policy statement and to the usual standards of fiduciary prudence. All objectives and policies are reviewed, at least annually, for their continued appropriateness. Regular communication concerning investment strategy and outlook is expected.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Strategies Employed for Achieving Objectives

For the purposes of planning, the time horizon for investments is to be in excess of ten years. Capital values do fluctuate over shorter periods of time and the possibility of capital loss does exist. However, historical asset class return data suggests that the risk of principal loss over a holding period of at least three to five years can be minimized with the long-term investment mix employed under this Investment Policy Statement (IPS). Academic research suggests that the decision about how to allocate total assets among various asset classes will far outweigh security selection and market timing in terms of long-term portfolio performance. After reviewing the performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior, the following asset mix was selected to achieve the objectives. The portfolio will be managed in a manner that seeks to minimize principal fluctuations over the established time horizon and is consistent with stated objectives. Using historical risk and return measurements, the target asset mix would be expected to provide an average annual total return of 8.5%, and 95% of the time fall within an annual total return range of -2% to +37%. It is recognized that the 8.5% total return objective may be difficult to attain in some five-year periods and may be easily attained in others; however, over longer periods this benchmark return is reasonable and achievable.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy that the Investment Management Committee will advise the investment manager annually of a maximum percentage that will be needed during the ensuing year for operating expenses. However, no income will be taken out of the Friedman Fund until the principal of that fund reaches \$500,000, as requested by the donors. The accounts should maintain liquidity reserve in excess of 2% for investment opportunities, distributions and fees.

NOTE 13 - RELATED PARTY TRANSACTIONS

Contributions from board members of approximately \$49,500 and \$58,373 are included in contribution income for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 - RETIREMENT PLAN

The Institute has a defined contribution retirement plan under which all employees become eligible to participate upon completing one year of service (minimum of 1,000 hours) and meeting certain age requirements (minimum age of 18). Employees are 100% vested in employer contributions after two years. Under this plan, the Institute is required to annually define its contribution. For the years ended June 30, 2019 and 2018, the contributions were 3% of eligible participant compensation. Retirement expense for the fiscal years ended June 30, 2019 and 2018, was \$78,600 and \$80,826, respectively. The June 30, 2019 and 2018 expense is net of forfeitures applied of \$-0- and \$392, respectively. These amounts represent amounts forfeited under the terms of the plan by employees who terminated service prior to meeting the required vesting period.

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC. AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Certified teaching personnel of the School participate in the Rhode Island State Employees Retirement program (a hybrid defined benefit and defined contribution plan), requiring a contribution of 8.75% from each employee. The School is also required to make a contribution to this defined benefit plan on behalf of the teachers. For the years ended June 30, 2019 and 2018, the School's contribution rate was 13.45% and 13.24%, respectively. The teachers charged to federal grant programs required a School contribution of 23.51% and 23.13%, for fiscal 2019 and 2018, respectively. In addition to the defined benefit plan contributions noted above, the School was also required to contribute .6% to a defined contribution plan on behalf of the employees. For the years ended June 30, 2019 and 2018, the total pension contributions paid by the School were \$303,911 and \$314,213, respectively. In addition, the State of Rhode Island also contributes to the retirement plan on behalf of the public and Charter School employees. For the years ended June 30, 2019 and 2018, these contributions totaled approximately \$221,000 and \$222,000, respectively.

The School has a 403(b) pension plan under which all employees are eligible to participate upon their hire date. Employees are 100% vested in employer contributions after four years. Under this plan, the School may contribute a discretionary contribution, which is determined annually. However, employees covered under the State retirement plan are not eligible for the discretionary contribution. For the years ended June 30, 2019 and 2018, the School contributed 3% of eligible participant compensation. Retirement expense pertaining to the 403(b) plan for the fiscal years ended June 30, 2019 and 2018, was \$16,517 and \$13,967, respectively.

NOTE 15 - CONTINGENCIES

The Organization receives grants from various federal, state and other grantor agencies. These grants are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected and recognized as revenue, may constitute a liability to the Organization. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although management expects such amount, if any, to be immaterial.

NOTE 16 - UNCERTAINTY

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the fair values of the Organization's investment securities in the near term.



Supplementary Information

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 253,395	\$ 1,351,450	\$ 1,604,845	\$ -	\$ 1,604,845
Investments	1,267,050	806,568	2,073,618	-	2,073,618
Grants receivable	1,008,352	131,838	1,140,190	-	1,140,190
Accounts receivable, net	275,798	172,535	448,333	-	448,333
Prepaid expenses and other current assets	107,309	39,078	146,387	-	146,387
Total current assets	<u>2,911,904</u>	<u>2,501,469</u>	<u>5,413,373</u>	<u>-</u>	<u>5,413,373</u>
Property and Equipment, Net	<u>2,052,339</u>	<u>900,107</u>	<u>2,952,446</u>	<u>-</u>	<u>2,952,446</u>
Total Assets	<u>\$ 4,964,243</u>	<u>\$ 3,401,576</u>	<u>\$ 8,365,819</u>	<u>\$ -</u>	<u>\$ 8,365,819</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 269,534	\$ 139,507	\$ 409,041	\$ -	\$ 409,041
Accrued expenses	303,038	384,898	687,936	-	687,936
Deferred revenue	45,225	-	45,225	-	45,225
Current portion of long-term debt	-	85,000	85,000	-	85,000
Total current liabilities	<u>617,797</u>	<u>609,405</u>	<u>1,227,202</u>	<u>-</u>	<u>1,227,202</u>
Long-Term Liabilities					
Long-term debt	-	1,277,692	1,277,692	-	1,277,692
Total liabilities	<u>617,797</u>	<u>1,887,097</u>	<u>2,504,894</u>	<u>-</u>	<u>2,504,894</u>
Net Assets					
Net assets without donor restrictions	3,525,498	1,514,479	5,039,977	-	5,039,977
Net assets with donor restrictions	820,948	-	820,948	-	820,948
Total net assets	<u>4,346,446</u>	<u>1,514,479</u>	<u>5,860,925</u>	<u>-</u>	<u>5,860,925</u>
Total Liabilities and Net Assets	<u>\$ 4,964,243</u>	<u>\$ 3,401,576</u>	<u>\$ 8,365,819</u>	<u>\$ -</u>	<u>\$ 8,365,819</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2018**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 466,604	\$ 1,115,071	\$ 1,581,675	\$ -	\$ 1,581,675
Investments	1,312,865	773,896	2,086,761	-	2,086,761
Grants receivable	439,773	82,860	522,633	-	522,633
Accounts receivable, net	285,870	252,546	538,416	-	538,416
Prepaid expenses and other current assets	102,549	120,632	223,181	-	223,181
Total current assets	<u>2,607,661</u>	<u>2,345,005</u>	<u>4,952,666</u>	-	<u>4,952,666</u>
Property and Equipment, Net	<u>2,081,701</u>	<u>968,547</u>	<u>3,050,248</u>	-	<u>3,050,248</u>
Total Assets	<u>\$ 4,689,362</u>	<u>\$ 3,313,552</u>	<u>\$ 8,002,914</u>	<u>\$ -</u>	<u>\$ 8,002,914</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2018

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 140,114	\$ 165,318	\$ 305,432	\$ -	\$ 305,432
Accrued expenses	286,952	414,449	701,401	-	701,401
Deferred revenue	22,995	-	22,995	-	22,995
Current portion of long-term debt	-	85,000	85,000	-	85,000
Total current liabilities	<u>450,061</u>	<u>664,767</u>	<u>1,114,828</u>	<u>-</u>	<u>1,114,828</u>
Long-Term Liabilities					
Long-term debt	-	1,354,718	1,354,718	-	1,354,718
Total liabilities	<u>450,061</u>	<u>2,019,485</u>	<u>2,469,546</u>	<u>-</u>	<u>2,469,546</u>
Net Assets					
Net assets without donor restrictions	3,610,195	1,294,067	4,904,262	-	4,904,262
Net assets with donor restrictions	629,106	-	629,106	-	629,106
Total net assets	<u>4,239,301</u>	<u>1,294,067</u>	<u>5,533,368</u>	<u>-</u>	<u>5,533,368</u>
Total Liabilities and Net Assets	<u>\$ 4,689,362</u>	<u>3,313,552</u>	<u>\$ 8,002,914</u>	<u>\$ -</u>	<u>\$ 8,002,914</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Support, Revenues and Investment Return Without Donor Restrictions					
Support and revenue:					
United Way	\$ 226,856	\$ -	\$ 226,856	\$ -	\$ 226,856
Public grants and contracts	3,644,300	335,076	3,979,376	-	3,979,376
Private grants and contracts	315,499	40,577	356,076	-	356,076
Contributions	276,548	-	276,548	-	276,548
Tuition, fees and services	2,078,093	5,111,671	7,189,764	-	7,189,764
Medicaid services	-	8,598	8,598	-	8,598
Food services	-	330,398	330,398	-	330,398
Afterschool programs	-	87,554	87,554	-	87,554
Other income	72,747	-	72,747	-	72,747
Total support and revenue without donor restrictions	<u>6,614,043</u>	<u>5,913,874</u>	<u>12,527,917</u>	<u>-</u>	<u>12,527,917</u>
Investment return:					
Interest and dividends	20,996	26,073	47,069	-	47,069
Management fees	(10,835)	(4,918)	(15,753)	-	(15,753)
Net realized gains on sales of investments	23,543	(7,010)	16,533	-	16,533
Net unrealized appreciation of investments	24,900	24,714	49,614	-	49,614
Net investment return without donor restrictions	<u>58,604</u>	<u>38,859</u>	<u>97,463</u>	<u>-</u>	<u>97,463</u>
Net assets released from donor restrictions:					
Contributions satisfied by use of funds for donor restricted purpose	<u>280,876</u>	<u>-</u>	<u>280,876</u>	<u>-</u>	<u>280,876</u>
Total support, revenues and other without donor restrictions	<u>6,953,523</u>	<u>5,952,733</u>	<u>12,906,256</u>	<u>-</u>	<u>12,906,256</u>
Expenses:					
Program services:					
Social	2,601,306	-	2,601,306	-	2,601,306
Educational	1,724,859	5,331,794	7,056,653	-	7,056,653
Pinpoint translations	1,301,012	-	1,301,012	-	1,301,012
Total program services	<u>5,627,177</u>	<u>5,331,794</u>	<u>10,958,971</u>	<u>-</u>	<u>10,958,971</u>
Supporting services:					
General overhead and administration	1,240,578	390,732	1,631,310	-	1,631,310
Fundraising	170,465	9,795	180,260	-	180,260
Total supporting services	<u>1,411,043</u>	<u>400,527</u>	<u>1,811,570</u>	<u>-</u>	<u>1,811,570</u>
Total expenses	<u>7,038,220</u>	<u>5,732,321</u>	<u>12,770,541</u>	<u>-</u>	<u>12,770,541</u>
Changes in net assets without donor restrictions	<u>(84,697)</u>	<u>220,412</u>	<u>135,715</u>	<u>-</u>	<u>135,715</u>
Net Assets With Donor Restrictions					
Contributions and grants	424,776	-	424,776	-	424,776
Satisfaction of program restrictions	(280,876)	-	(280,876)	-	(280,876)
Interest and dividends	14,465	-	14,465	-	14,465
Net realized gains on sales of investments	16,269	-	16,269	-	16,269
Net unrealized appreciation of investments	17,208	-	17,208	-	17,208
Changes in net assets with donor restrictions	<u>191,842</u>	<u>-</u>	<u>191,842</u>	<u>-</u>	<u>191,842</u>
Increase (Decrease) in Net Assets	<u>107,145</u>	<u>220,412</u>	<u>327,557</u>	<u>-</u>	<u>327,557</u>
Net Assets - Beginning of Year	<u>4,239,301</u>	<u>1,294,067</u>	<u>5,533,368</u>	<u>-</u>	<u>5,533,368</u>
Net Assets - End of Year	<u>\$ 4,346,446</u>	<u>\$ 1,514,479</u>	<u>\$ 5,860,925</u>	<u>\$ -</u>	<u>\$ 5,860,925</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Support, Revenues and Investment Return Without Donor Restrictions					
Support and revenue:					
United Way	\$ 249,813	\$ -	\$ 249,813	\$ -	\$ 249,813
Public grants and contracts	3,102,255	230,959	3,333,214	-	3,333,214
Private grants and contracts	466,929	44,999	511,928	-	511,928
Contributions	297,027	-	297,027	-	297,027
Tuition, fees and services	2,103,535	4,834,941	6,938,476	-	6,938,476
Medicaid services	-	7,766	7,766	-	7,766
Food services	-	283,004	283,004	-	283,004
Afterschool programs	-	95,921	95,921	-	95,921
Other income	96,783	-	96,783	-	96,783
Total support and revenue without donor restrictions	<u>6,316,342</u>	<u>5,497,590</u>	<u>11,813,932</u>	<u>-</u>	<u>11,813,932</u>
Investment return:					
Interest and dividends	21,845	22,144	43,989	-	43,989
Management fees	(10,403)	(7,171)	(17,574)	-	(17,574)
Net realized gains on sales of investments	22,468	13,979	36,447	-	36,447
Net unrealized appreciation of investments	23,265	(1,035)	22,230	-	22,230
Net investment return without donor restrictions	<u>57,175</u>	<u>27,917</u>	<u>85,092</u>	<u>-</u>	<u>85,092</u>
Net assets released from donor restrictions:					
Contributions satisfied by use of funds for donor restricted purpose	386,216	224	386,440	-	386,440
Total support, revenues and other without donor restrictions	<u>6,759,733</u>	<u>5,525,731</u>	<u>12,285,464</u>	<u>-</u>	<u>12,285,464</u>
Expenses:					
Program services:					
Social	3,900,611	-	3,900,611	-	3,900,611
Educational	1,741,726	5,071,381	6,813,107	-	6,813,107
Total program services	<u>5,642,337</u>	<u>5,071,381</u>	<u>10,713,718</u>	<u>-</u>	<u>10,713,718</u>
Supporting services:					
General overhead and administration	1,142,701	414,470	1,557,171	-	1,557,171
Fundraising	183,193	-	183,193	-	183,193
Total supporting services	<u>1,325,894</u>	<u>414,470</u>	<u>1,740,364</u>	<u>-</u>	<u>1,740,364</u>
Total expenses	<u>6,968,231</u>	<u>5,485,851</u>	<u>12,454,082</u>	<u>-</u>	<u>12,454,082</u>
Changes in net assets without donor restrictions	<u>(208,498)</u>	<u>39,880</u>	<u>(168,618)</u>	<u>-</u>	<u>(168,618)</u>
Net Assets With Donor Restrictions					
Contributions and grants	108,000	-	108,000	-	108,000
Satisfaction of program restrictions	(386,216)	(224)	(386,440)	-	(386,440)
Interest and dividends	13,961	-	13,961	-	13,961
Net realized gains on sales of investments	14,813	-	14,813	-	14,813
Net unrealized appreciation of investments	15,339	-	15,339	-	15,339
Changes in net assets with donor restrictions	<u>(234,103)</u>	<u>(224)</u>	<u>(234,327)</u>	<u>-</u>	<u>(234,327)</u>
Increase (Decrease) in Net Assets	<u>(442,601)</u>	<u>39,656</u>	<u>(402,945)</u>	<u>-</u>	<u>(402,945)</u>
Net Assets - Beginning of Year	<u>4,681,902</u>	<u>1,254,411</u>	<u>5,936,313</u>	<u>-</u>	<u>5,936,313</u>
Net Assets - End of Year	<u>\$ 4,239,301</u>	<u>\$ 1,294,067</u>	<u>\$ 5,533,368</u>	<u>\$ -</u>	<u>\$ 5,533,368</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Cash Flows from Operating Activities					
Change in net assets	\$ 107,145	\$ 220,412	\$ 327,557	\$ -	\$ 327,557
Adjustments to reconcile change in net asset to net cash used in operating activities:					
Depreciation	183,196	124,900	308,096	-	308,096
Amortization of debt issuance costs to interest expense	-	7,974	7,974	-	7,974
Donated securities	(4,101)	-	(4,101)	-	(4,101)
Bad debt expense	13,509	-	13,509	-	13,509
Net realized gains on sales of investments	(39,812)	7,010	(32,802)	-	(32,802)
Net unrealized (appreciation) depreciation of investments	(42,108)	(24,714)	(66,822)	-	(66,822)
Investment income restricted for reinvestment	(30,734)	-	(30,734)	-	(30,734)
(Increase) decrease in operating assets:					
Grants receivable	(568,579)	(48,978)	(617,557)	-	(617,557)
Accounts receivable	(3,437)	80,011	76,574	-	76,574
Prepaid expenses	(4,760)	81,554	76,794	-	76,794
Increase (decrease) in operating liabilities:					
Accounts payable	129,420	(25,811)	103,609	-	103,609
Accrued expenses	16,086	(29,551)	(13,465)	-	(13,465)
Deferred revenue	22,230	-	22,230	-	22,230
Net cash provided by (used in) operating activities	<u>(221,945)</u>	<u>392,807</u>	<u>170,862</u>	<u>-</u>	<u>170,862</u>
Cash Flows from Investing Activities					
Acquisition of property and equipment	(153,834)	(56,460)	(210,294)	-	(210,294)
Purchase of investments	(173,976)	(58,830)	(232,806)	-	(232,806)
Proceeds from sales of investments	305,812	43,862	349,674	-	349,674
Net cash used in investing activities	<u>(21,998)</u>	<u>(71,428)</u>	<u>(93,426)</u>	<u>-</u>	<u>(93,426)</u>
Cash Flows from Financing Activities					
Repayment of long-term debt	-	(85,000)	(85,000)	-	(85,000)
Investment income restricted for reinvestment	30,734	-	30,734	-	30,734
Net cash provided by (used in) financing activities	<u>30,734</u>	<u>(85,000)</u>	<u>(54,266)</u>	<u>-</u>	<u>(54,266)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(213,209)	236,379	23,170	-	23,170
Cash and Cash Equivalents - Beginning of Year	<u>466,604</u>	<u>1,115,071</u>	<u>1,581,675</u>	<u>-</u>	<u>1,581,675</u>
Cash and Cash Equivalents - End of Year	<u>\$ 253,395</u>	<u>\$ 1,351,450</u>	<u>\$ 1,604,845</u>	<u>\$ -</u>	<u>\$ 1,604,845</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Cash Flows from Operating Activities					
Change in net assets	\$ (442,601)	\$ 39,656	\$ (402,945)	\$ -	\$ (402,945)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	188,397	116,558	304,955	-	304,955
Amortization of debt issuance costs	-	7,974	7,974	-	7,974
Donated securities	(21,130)	-	(21,130)	-	(21,130)
Bad debt expense	12,874	-	12,874	-	12,874
Net realized gains on sales of investments	(37,281)	(13,979)	(51,260)	-	(51,260)
Net unrealized appreciation of investments	(38,604)	1,035	(37,569)	-	(37,569)
Investment income restricted for reinvestment	(28,774)	-	(28,774)	-	(28,774)
(Increase) decrease in operating assets					
Grants receivable	76,506	4,802	81,308	-	81,308
Accounts receivable	84,066	(195,982)	(111,916)	-	(111,916)
Prepaid expenses and other current assets	(16,090)	(89,935)	(106,025)	-	(106,025)
Increase (decrease) in operating liabilities					
Accounts payable	(337)	69,503	69,166	-	69,166
Accrued expenses	(21,010)	38,642	17,632	-	17,632
Deferred revenue	(50,750)	-	(50,750)	-	(50,750)
Net cash used in operating activities	<u>(294,734)</u>	<u>(21,726)</u>	<u>(316,460)</u>	<u>-</u>	<u>(316,460)</u>
Cash Flows from Investing Activities					
Increase in restricted cash	89,699	-	89,699	-	89,699
Acquisition of property and equipment	(136,999)	(41,102)	(178,101)	-	(178,101)
Purchase of investments	(289,375)	(83,580)	(372,955)	-	(372,955)
Proceeds from sales of investments	217,878	65,726	283,604	-	283,604
Net cash used in investing activities	<u>(118,797)</u>	<u>(58,956)</u>	<u>(177,753)</u>	<u>-</u>	<u>(177,753)</u>
Cash Flows from Financing Activities					
Repayment of long-term debt	-	(80,000)	(80,000)	-	(80,000)
Investment income restricted for reinvestment	28,774	-	28,774	-	28,774
Principal repayment on capital lease obligation	(5,836)	-	(5,836)	-	(5,836)
Net cash provided by (used in) financing activities	<u>22,938</u>	<u>(80,000)</u>	<u>(57,062)</u>	<u>-</u>	<u>(57,062)</u>
Net Decrease in Cash and Cash Equivalents	(390,593)	(160,682)	(551,275)	-	(551,275)
Cash and Cash Equivalents - Beginning of Year	857,197	1,275,753	2,132,950	-	2,132,950
Cash and Cash Equivalents - End of Year	<u>\$ 466,604</u>	<u>\$ 1,115,071</u>	<u>\$ 1,581,675</u>	<u>\$ -</u>	<u>\$ 1,581,675</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Dorcas International Institute of Rhode Island, Inc.						
	Program Services				Supporting Services		
	Education	Social	Pinpoint Translations	Total Program Services	Management	Fund- Raising	Total
Direct expenses:							
Grants and other assistance	\$ 31,265	\$ 238,701	\$ -	\$ 269,966	\$ -	\$ -	\$ 269,966
Salaries and wages	876,493	1,438,443	478,166	2,793,102	686,204	85,605	3,564,911
Employee benefits	141,290	251,623	106,670	499,583	101,369	11,398	612,350
Payroll taxes	70,441	115,644	40,583	226,668	54,979	6,667	288,314
Professional services	1,868	16,193	1,120	19,181	108,016	-	127,197
Contract services	50,560	117,815	562,550	730,925	31,193	17,323	779,441
Advertising	580	1,776	21,895	24,251	3,658	2	27,911
Office expenses	75,493	68,621	29,045	173,159	57,844	14,828	245,831
Information technology	700	55,625	11,058	67,383	76,524	5,543	149,450
Building related expenses	83,717	95,133	10,847	189,697	37,701	10,262	237,660
Travel and vehicle expense	1,277	11,266	11,345	23,888	1,808	24	25,720
Conferences and meetings	3,210	13,811	3,442	20,463	38,873	1,643	60,979
Subrecipient payments	304,567	74,846	1,168	380,581	1,116	-	381,697
Insurance	10,823	19,722	3,550	34,095	5,755	268	40,118
Equipment, licenses and fees	-	240	-	240	1,099	-	1,339
Special events	910	926	2,129	3,965	2,275	8,099	14,339
Miscellaneous	156	1,200	8,147	9,503	11,275	7,023	27,801
Total direct expenses	<u>1,653,350</u>	<u>2,521,585</u>	<u>1,291,715</u>	<u>5,466,650</u>	<u>1,219,689</u>	<u>168,685</u>	<u>6,855,024</u>
Depreciation	<u>71,509</u>	<u>79,721</u>	<u>9,297</u>	<u>160,527</u>	<u>20,889</u>	<u>1,780</u>	<u>183,196</u>
Total Expenses	<u>\$ 1,724,859</u>	<u>\$ 2,601,306</u>	<u>\$ 1,301,012</u>	<u>\$ 5,627,177</u>	<u>\$ 1,240,578</u>	<u>\$ 170,465</u>	<u>\$ 7,038,220</u>

**DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.
AND THE INTERNATIONAL CHARTER SCHOOL CORPORATION**

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	International Charter School Corporation				
	Program Services		Supporting Services		
	Education	Total Program Services	Management	Fund- Raising	Total
Direct expenses:					
Salaries and wages	\$ 2,736,360	\$ 2,736,360	\$ 192,023	\$ -	\$ 2,928,383
Employee benefits	838,487	838,487	29,782	-	868,269
Payroll taxes	225,343	225,343	14,339	-	239,682
Professional services	162,895	162,895	18,661	9,795	191,351
Contract services	56,724	56,724	2,250	-	58,974
Advertising	770	770	-	-	770
Office expenses	85,912	85,912	894	-	86,806
Building related expenses	312,007	312,007	41,991	-	353,998
Travel and vehicle expense	23,892	23,892	425	-	24,317
Conferences and meetings	2,601	2,601	14,359	-	16,960
Student Costs	715,274	715,274	-	-	715,274
Insurance	19,490	19,490	603	-	20,093
Equipment, licenses and fees	30,831	30,831	-	-	30,831
Miscellaneous	-	-	71,713	-	71,713
Total direct expenses	<u>5,210,586</u>	<u>5,210,586</u>	<u>387,040</u>	<u>9,795</u>	<u>5,607,421</u>
Depreciation	<u>121,208</u>	<u>121,208</u>	<u>3,692</u>	<u>-</u>	<u>124,900</u>
Total Expenses	<u><u>\$ 5,331,794</u></u>	<u><u>\$ 5,331,794</u></u>	<u><u>\$ 390,732</u></u>	<u><u>\$ 9,795</u></u>	<u><u>\$ 5,732,321</u></u>

**DORCAS
INTERNATIONAL
INSTITUTE OF RHODE
ISLAND, INC.**

**FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2019**

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2019

TABLE OF CONTENTS

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1-3
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5
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 <i>Government Auditing Standards</i>	6-7
Schedule of Findings and Questioned Costs	8

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Dorcas International Institute of Rhode Island, Inc.
Providence, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited Dorcas International Institute of Rhode Island, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dorcas International Institute of Rhode Island, Inc.'s major federal program for the year ended June 30, 2019. Dorcas International Institute of Rhode Island, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Dorcas International Institute of Rhode Island, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dorcas International Institute of Rhode Island, Inc.'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 the major federal program. However, our audit does not provide a legal determination of Dorcas International Institute of Rhode Island, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Dorcas International Institute of Rhode Island, Inc.'s, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Dorcas International Institute of Rhode Island, Inc.'s, 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 Dorcas International Institute of Rhode Island, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Dorcas International Institute of Rhode Island, Inc.'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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Dorcas International Institute of Rhode Island, Inc., as of and for the year ended June 30, 2019 and have issued our report thereon dated September 19, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 19, 2019

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass-Through Entity/Program Title	Grant Period Ended	Pass-Through Entity Grant Number	CFDA Number	CFDA Subtotal	Total Expenditures
U.S. Department of Labor					
<i>Passed through Rhode Island Department of Education</i>					
Trade Adjustment Assistance	6/30/2019	2725-20002-901	17.245		\$ 10,577
Total U.S. Department of Labor					<u>10,577</u>
U.S. Department of State					
<i>Passed through U.S. Committee for Refugees and Immigrants</i>					
Reception and Placement Program	9/30/2018	S-PRMCO-18-CA-0014	19.510		31,337
Reception and Placement Program	9/30/2019	S-PRMCO-19-CA-0018	19.510		190,718
Total U.S. Department of State					<u>222,055</u>
U.S. Department of Education					
<i>Passed through Rhode Island Department of Education</i>					
E/Civics Program	6/30/2019	2725150.02.04	84.002	\$ 60,972	
Workforce Innovation and Opportunity	6/30/2019	2725150.02.04	84.002	290,932	351,904
Child Opportunity Zones	6/30/2019	2720-10501-901	84.027		39,500
English Language Acquisition State Grants	6/30/2019	2116247-0-PO	84.365		79,548
Total U.S. Department of Education					<u>470,952</u>
U.S. Department of Homeland Security					
<i>Passed through The Rhode Island Citizenship Consortium</i>					
Citizenship Education and Training	9/30/2018	DHS-17-CIS-010-002	97.010		6,125
Citizenship Education and Training	9/30/2019	DHS-17-CIS-010-002	97.010		14,992
Total U.S. Department of Homeland Security					<u>21,117</u>
U.S. Department of Health and Human Services					
<i>Passed through Rhode Island Department of Human Services, Office of Refugee Resettlement</i>					
Refugee Resettlement Program	12/31/2018	ORR 18-01	93.566	45,920	
Refugee Resettlement Program	9/30/2019	ORR 19-01	93.566	121,923	167,843
<i>Passed through U.S. Committee of Refugees and Immigrants</i>					
Match Grant	12/31/2018	1802VARVMG	93.567	28,600	
Match Grant	9/30/2019	1902VARVMG	93.567	16,682	45,282
<i>Passed through U.S. Committee of Refugees and Immigrants Preferred Communities</i>					
Refugee and Entrant Assistance - Discretionary Grants	9/30/2018	90RP0108-02	93.576	29,472	
Refugee and Entrant Assistance - Discretionary Grants	9/30/2019	90RP0108-03	93.576	59,985	
<i>Passed through U.S. Committee of Refugees and Immigrants</i>					
Refugee and Entrant Assistance - Discretionary Grants	12/31/2018	ORR 17/19-01	93.576	67,074	
<i>Passed through Rhode Island Department of Human Services</i>					
Refugee School Impact Grant	9/30/2018	ORRSG 18-01	93.576	51,348	
Refugee School Impact Grant	9/30/2019	ORRSG 19-01	93.576	22,975	
DOH Refugee Health Promotion	8/14/2019	19-03-059-1/1	93.576	43,442	
RI Refugee Career Pathways Program	9/29/2019	90ZM000-1-01-00	93.576	100,169	374,465
<i>Passed through Rhode Island Department of Human Services</i>					
RI Public Safety Grant- Victims of Crimes Act	9/30/2019	17-1613-VOCA	16.575		106,741
<i>Passed through Rhode Island Department of Education and Human Services</i>					
* Temporary Assistance for Needy Families	6/30/2019	2725-16202-901	93.558	494,708	
* Temporary Assistance for Needy Families	9/30/2018	IFS18-01	93.558	37,083	
* Temporary Assistance for Needy Families	9/30/2019	IFS19-01	93.558	84,758	616,549
Unaccompanied Alien Children Program	1/31/2019	90ZU0190-02-00	93.676	53,308	
Unaccompanied Alien Children Program	1/31/2020	90ZU0190-01-00	93.676	35,626	88,934
Total U.S. Department of Health and Human Services					<u>1,399,814</u>
Total Federal Awards Expended					<u>\$ 2,124,515</u>

* Identified as a major program.

The accompanying notes are an integral part of this schedule

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Dorcas International Institute of Rhode Island, Inc., under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Dorcas International Institute of Rhode Island, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Dorcas International Institute of Rhode Island, Inc.

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

NOTE 2 - INDIRECT COST RECOVERY

Dorcas International Institute of Rhode Island, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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 Directors
Dorcas International Institute of Rhode Island, Inc.
Providence, Rhode Island

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 Dorcas International Institute of Rhode Island, Inc., which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Dorcas International Institute of Rhode Island, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dorcas International Institute of Rhode Island, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of Dorcas International Institute of Rhode Island, Inc. 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 consolidated 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 Dorcas International Institute of Rhode Island, Inc. consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 19, 2019

DORCAS INTERNATIONAL INSTITUTE OF RHODE ISLAND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes X no

Major programs:

CFDA #	Name of Federal Program or Cluster
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93.558	Temporary Assistance for Needy Families
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Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? X yes no

II. FINANCIAL STATEMENT FINDINGS

No matters are reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.