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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

JUNE 30, 2016 AND 2015

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

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation as of and for the year ended June 30, 2015 were audited by other auditors whose report dated September 30, 2015 expressed an unmodified opinion on those statements.

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 schedule of financial position, consolidating schedule of activities, and consolidating schedule of cash flows as of and for the year ended June 30, 2016 is presented for the purposes of additional analysis and are not a required part of the 2016 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 2016 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 2016 consolidated financial statements or to the 2016 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 2016 consolidated financial statements as a whole. The 2015 consolidated financial statements of Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation were audited by other auditors. Their report on the 2015 consolidating schedules of financial position, consolidating schedules of activities, and consolidating schedules of cash flows stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2015 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 27, 2016 on our consideration of Dorcas International Institute of Rhode Island, Inc.'s internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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. internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 27, 2016

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,857,818	\$ 2,055,660
Restricted cash	22,285	-
Investments	1,679,202	969,039
Grants receivable	502,228	533,444
Accounts receivable, net	555,013	440,567
Prepaid expenses and other current assets	106,911	93,378
Total current assets	<u>4,723,457</u>	<u>4,092,088</u>
Property and Equipment, Net	<u>3,358,236</u>	<u>3,495,882</u>
Deferred Financing Costs, Net	<u>136,231</u>	<u>144,206</u>
Total Assets	<u>\$ 8,217,924</u>	<u>\$ 7,732,176</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 293,043	\$ 197,599
Accrued expenses	721,192	589,539
Deferred revenue	43,588	41,150
Current portion of long-term debt	80,000	75,000
Current portion of capital lease	9,358	8,650
Total current liabilities	<u>1,147,181</u>	<u>911,938</u>
Long-Term Liabilities		
Long-term debt	1,640,000	1,720,000
Capital lease	5,836	15,194
Total long term liabilities	<u>1,645,836</u>	<u>1,735,194</u>
Total liabilities	2,793,017	2,647,132
Net Assets		
Unrestricted		
Undesignated	4,170,180	3,895,192
Board designated	650,146	622,412
Total unrestricted	<u>4,820,326</u>	<u>4,517,604</u>
Temporarily restricted	146,589	133,090
Permanently restricted	457,992	434,350
	<u>5,424,907</u>	<u>5,085,044</u>
Total Liabilities and Net Assets	<u>\$ 8,217,924</u>	<u>\$ 7,732,176</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Unrestricted Support, Revenues and Investment Return		
Support and Revenue		
United Way	\$ 173,200	\$ 173,200
Public grants and contracts	3,582,783	3,605,520
Private grants and contracts	577,723	494,516
Contributions	172,044	234,133
Tuition, fees and services	6,560,897	5,954,817
Medicaid services	23,594	42,216
Food services	151,970	149,046
Afterschool programs	91,100	80,328
Other income	27,945	46,635
Donated goods and services	5,760	9,284
Total Support and Revenue	<u>11,367,016</u>	<u>10,789,695</u>
Investment Return (Losses or Expenses)		
Interest and dividends	21,100	22,485
Management fees	(10,161)	(11,335)
Net realized gains on sales of investments	1,435	87,172
Net unrealized depreciation of investments	6,711	(71,798)
Total Net Investment Return (Losses or Expenses)	<u>19,085</u>	<u>26,524</u>
Net Assets Released from Restrictions		
Contributions satisfied by use of funds for restricted purpose	89,883	71,908
Total Unrestricted Support, Revenues, and Other	<u>11,475,984</u>	<u>10,888,127</u>
Expenses:		
Program Services:		
Social	3,621,995	3,426,516
Educational	6,027,377	6,154,391
Total Program Services	<u>9,649,372</u>	<u>9,580,907</u>
Supporting Services		
General overhead and administration	1,392,302	1,266,844
Fundraising	131,588	118,007
Total Supporting Services	<u>1,523,890</u>	<u>1,384,851</u>
Total Expenses	<u>11,173,262</u>	<u>10,965,758</u>
Changes in Unrestricted Net Assets from Operations	302,722	(77,631)
Temporarily Restricted Net Assets		
Contributions and grants	103,382	61,186
Satisfaction of program restrictions	(89,883)	(71,908)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>13,499</u>	<u>(10,722)</u>
Permanently Restricted Net Assets		
Interest and dividends	10,804	13,081
Net realized gains on sales of investments	1,110	57,552
Net unrealized depreciation of investments	11,728	(47,403)
Increase in Permanently Restricted Net Assets	<u>23,642</u>	<u>23,230</u>
Increase (Decrease) in Net Assets	<u>339,863</u>	<u>(65,123)</u>
Net Assets - Beginning of Year	<u>5,085,044</u>	<u>5,150,167</u>
Net Assets - End of Year	<u>\$ 5,424,907</u>	<u>\$ 5,085,044</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Balance at beginning of year	\$ 4,517,604	\$ 4,595,235
Increase (decrease) in unrestricted net assets	<u>302,722</u>	<u>(77,631)</u>
Balance at End of Year	<u>4,820,326</u>	<u>4,517,604</u>
Temporarily Restricted Net Assets		
Balance at beginning of year	133,090	143,812
Increase (decrease) in temporarily restricted net assets	<u>13,499</u>	<u>(10,722)</u>
Balance at End of Year	<u>146,589</u>	<u>133,090</u>
Permanently Restricted Net Assets		
Balance at beginning of year	434,350	411,120
Increase in permanently restricted net assets	<u>23,642</u>	<u>23,230</u>
Balance at End of Year	<u>457,992</u>	<u>434,350</u>
Total Net Assets at End of Year	<u><u>\$ 5,424,907</u></u>	<u><u>\$ 5,085,044</u></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, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 339,863	\$ (65,123)
Items which do not affect cash		
Depreciation	304,118	302,914
Amortization	7,975	7,975
Donated securities	(6,361)	(5,632)
Bad debt expense	7,300	4,634
Net realized gains on sales of investments	(2,545)	(144,724)
Net unrealized depreciation of investments	(18,439)	119,201
Investment income restricted for reinvestment	(11,914)	(70,633)
(Increase) decrease in operating assets		
Grants receivable	31,216	(10,712)
Accounts receivable	(121,746)	(209,832)
Prepaid expenses	(13,533)	26,445
Increase (decrease) in operating liabilities		
Accounts payable	95,445	(22,388)
Accrued expenses	131,653	(188,099)
Deferred revenue	2,438	(21,163)
Net cash provided from (used by) operating activities	745,470	(277,137)
Cash Flows from Investing Activities		
Increase in restricted cash	(22,285)	-
Acquisition of property and equipment	(166,472)	(152,442)
Purchase of Investments	(944,477)	(469,137)
Proceeds from sales of investments	261,658	536,474
Net cash used by investing activities	(871,576)	(85,105)
Cash Flows from Financing Activities		
Repayment of long-term debt	(75,000)	(75,000)
Investment income restricted for reinvestment	11,914	70,633
Principal repayment on capital lease obligation	(8,650)	(7,994)
Net cash used by financing activities	(71,736)	(12,361)
Decrease in Cash	(197,842)	(374,603)
Cash - Beginning of Year	2,055,660	2,430,263
Cash - End of Year	\$ 1,857,818	\$ 2,055,660

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 non-profit 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 non-profit 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

Principles of Consolidation

The consolidated financial statements include the accounts of Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation. Substantially all intercompany transactions and balances have been eliminated.

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.

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 or board of directors limiting its use as restricted.

Accounts Receivable

The Organization carries its accounts receivable at cost less allowances for doubtful accounts of \$9,030 at June 30, 2016 and 2015. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments

Investments in marketable securities with readily determinable fair values are measured at fair value in the statement of financial position. Investment returns, including dividends, interest and appreciation or depreciation are included in unrestricted net assets 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 unrestricted support 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 temporarily restricted. 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 temporarily restricted net assets to unrestricted net assets.

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.

Basis of Presentation

The Organization's net assets and revenues, expenditures, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Includes funds of which management and the Board of Directors of the Organization retain full control to use in achieving any of their organizational purposes. This group also includes board designated net assets that represent unrestricted net assets on which the Board of Directors has voluntarily placed restrictions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Temporarily Restricted Net Assets

Includes funds restricted by donors, which may only be utilized in accordance with purposes and/or time periods established by the donor of such funds, and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Permanently Restricted Net Assets

Includes funds permanently restricted by donors, which require that the principal be invested in perpetuity and only the income be utilized by the Organization. Income may be utilized for unrestricted purposes or temporarily restricted purposes as established by the donor.

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 unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Goods and Services

Contributions of goods and services which create or enhance non-financial 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 \$5,760 and \$9,284 for the years ended June 30, 2016 and 2015, respectively.

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 direct costs of providing the various program services and fundraising activities, and the indirect costs, including general overhead and administration, have been summarized on a functional basis in the consolidated statements of activities. When reporting to grantors, indirect costs are allocated to the program and supporting services benefited based on the number of payroll hours allocated to each program or service, and/or based on square footage of space occupied.

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 a 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 management and general expense

Advertising Costs

The Organization expenses advertising costs when incurred. For the years ended June 30, 2016 and 2015, advertising expense totaled \$5,139 and \$4,093, respectively.

Subsequent Events

Subsequent events have been evaluated through September 27, 2016, which is the date the 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Grants Receivable

At June 30, 2016, grants receivable included amounts due from four grantors representing approximately 82% of the outstanding balance. At June 30, 2015 there were four grantors representing approximately 80% of the outstanding balance.

NOTE 4 - INVESTMENTS

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

	2016	2015
Common stocks	\$ 1,046,616	\$ 680,409
Mutual funds	221,171	-
Corporate and government bonds	392,794	255,353
REIT's	18,621	33,277
Investments	<u>\$ 1,679,202</u>	<u>\$ 969,039</u>

The following is the composition of investment return for the years ended June 30:

	2016	2015
Interest and dividend income	\$ 31,904	\$ 35,566
Unrealized gain (losses) on investments, net	18,439	(119,201)
Realized gains, net	2,545	144,724
Total investment return	<u>\$ 52,888</u>	<u>\$ 61,089</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 net asset value 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The fair value of assets measured on a recurring basis at June 30, 2016 is as follows:

	<u>Level 1</u>	<u>Total</u>
Common Stocks		
Consumer discretionary	\$ 131,795	\$ 131,795
Consumer staples	65,666	65,666
Energy	46,106	46,106
Financials	254,806	254,806
Healthcare	136,051	136,051
Industrials	90,897	90,897
Information technology	171,685	171,685
Materials	18,636	18,636
Telecommunication services	21,791	21,791
Utilities	25,581	25,581
Other equities	83,602	83,602
Total Common Stocks	<u>1,046,616</u>	<u>1,046,616</u>
Mutual Funds		
Consumer discretionary	9,758	9,758
Financials	14,862	14,862
Industrials	14,758	14,758
AAA Bonds	115,368	115,368
AA Bonds	10,478	10,478
BBB Bonds	55,947	55,947
	<u>\$ 221,171</u>	<u>\$ 221,171</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Level 1</u>	<u>Total</u>
Corporate and Government Bonds		
AAA	\$ 190,674	\$ 190,674
A	150,120	150,120
BBB	52,000	52,000
Total Corporate and Government Bonds	<u>392,794</u>	<u>392,794</u>
REIT	<u>18,621</u>	<u>18,621</u>
Total Investments	<u>\$ 1,679,202</u>	<u>\$ 1,679,202</u>

The fair value of assets measured on a recurring basis at June 30, 2015 is as follows:

	<u>Level 1</u>	<u>Total</u>
Common Stocks		
Consumer discretionary	\$ 96,034	\$ 96,034
Consumer staples	61,287	61,287
Energy	47,299	47,299
Financials	119,083	119,083
Healthcare	108,870	108,870
Industrials	63,711	63,711
Information technology	108,656	108,656
Materials	19,212	19,212
Telecommunication services	18,069	18,069
Utilities	19,425	19,425
Other equities	18,763	18,763
Total Common Stocks	<u>680,409</u>	<u>680,409</u>
Corporate and Government Bonds		
A	50,957	50,957
BBB	155,129	155,129
Non-rated	49,267	49,267
Total Corporate and Government Bonds	<u>255,353</u>	<u>255,353</u>
REIT	<u>33,277</u>	<u>33,277</u>
Total Investments	<u>\$ 969,039</u>	<u>\$ 969,039</u>

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 cost, less accumulated depreciation at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 343,055	\$ 343,055
Buildings and improvements	3,214,500	3,120,915
Leasehold improvements	2,195,410	2,193,615
Playground	139,812	136,970
Furniture and equipment	1,150,999	1,106,869
	<u>7,043,776</u>	<u>6,901,424</u>
Less accumulated depreciation	(3,685,540)	(3,405,542)
	<u>\$ 3,358,236</u>	<u>\$ 3,495,882</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$304,118 and \$302,914, respectively.

NOTE 7 - DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Immigration and refugee resettlement	\$ 40,563	\$ 7,554
Family literacy	-	21,263
Fall registrations	1,925	8,185
Other	<u>1,100</u>	<u>4,148</u>
Total	<u>\$ 43,588</u>	<u>\$ 41,150</u>

The Organization receives revenue for immigrant and refugee resettlement and family literacy programs, and the \$40,563 and \$28,817 represents funds not yet distributed to and used for the benefit of participants in the program in 2016 and 2015, respectively.

NOTE 8 - LINE OF CREDIT

The Institute has a commercial line of credit bearing interest at 3.50% and is due on demand. There was no balance owed on the line of credit at June 30, 2016 and 2015. 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, 2016.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 0.25% as of June 30, 2016 and 2015. Annual principal payments on the bonds of \$55,000 commenced in 2005 and gradually increase over the next 17 years. The balance outstanding on this obligation at June 30, 2016 and 2015 was \$1,720,000 and \$1,795,000, respectively.

Annual maturities on long-term debt are as follows:

<u>Year ending June 30,</u>	
2017	\$ 80,000
2018	80,000
2019	85,000
2020	85,000
2021	90,000
Thereafter	<u>1,300,000</u>
Total Long-Term Debt	<u>1,720,000</u>
Less current portion of long-term debt	<u>80,000</u>
Net Long-Term Debt	\$ <u>1,640,000</u>

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 loan to property value ratio and the maintenance of certain debt coverage ratios. As of June 30, 2016, management is not aware of any violations of the covenants.

The Organization incurred and paid interest costs of \$4,166 and \$3,315 for the years ended June 30, 2016 and 2015, respectively.

NOTE 10 - CAPITAL LEASE

The Institute has a five year lease agreement for a phone system. The terms of the lease agreement contain a \$1 bargain purchase option. Accordingly, the lease has been recorded as a capital lease obligation. The terms of the lease agreement requires sixty monthly payments of \$852, including interest at a rate of 7.9%, commencing on February 1, 2013 through January 1, 2018. The estimated value of this obligation at the commencement of the lease agreement was \$42,139. The balance outstanding at June 30, 2016 and 2015 was \$15,194 and \$23,844, respectively.

Present value of the future minimum lease payments under the capital lease obligation are as follows at June 30, 2016:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Year Ending June 30,</u>	
2017	\$ 10,225
2018	5,964
Total future minimum lease payments	<u>16,189</u>
Less deemed interest	<u>995</u>
Present Value of Future Minimum Lease Payments	15,194
Less current portion	<u>9,358</u>
Long-term portion	<u>\$ 5,836</u>

NOTE 11 - OPERATING LEASES

On November 1, 2014, the International Charter School entered into a long term lease (3 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.

Rental expense totaled \$101,256 for the years ended June 30, 2016 and 2015.

The Organization has entered into several other lease agreements for office equipment and a vehicle with varying terms through 2020. Lease expense for the above noted leases totaled \$23,235 and \$38,000 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments under the above noted operating lease obligation are as follows:

<u>Year ending June 30,</u>	
2017	\$ 125,076
2018	57,572
2019	22,065
2020	<u>19,690</u>
Total	<u>\$ 224,403</u>

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

The Organization holds temporarily restricted net assets that are available for the following purposes:

	<u>2016</u>	<u>2015</u>
<u>Institute</u>		
Education	\$ 8,100	\$ 8,100
Organizational costs	22,285	14,705
Social services – outreach	20,168	16,156
Refugee services	65,981	25,036
Total Institute	<u>116,534</u>	<u>63,997</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

<u>School</u>	<u>2016</u>	<u>2015</u>
Expansion project	29,831	68,847
Educational programs	224	246
Total School	<u>30,055</u>	<u>69,093</u>
Temporarily Restricted Net Assets	<u>\$ 146,589</u>	<u>\$ 133,090</u>

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent 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, 2016 and 2015, the fair value of the Friedman Fund was \$457,992 and \$434,350, 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 permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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, 2016

	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 457,992</u>	<u>\$ 457,992</u>

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, 2016

	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 434,350	\$ 434,350
Investment Return:		
Investment Income	11,914	11,914
Net appreciation (unrealized)	11,728	11,728
Total Investment Return	23,642	23,642
Endowment Net Assets, End of Year	\$ 457,992	\$ 457,992

Changes in Endowment Net Asset Composition for the Fiscal Year Ended June 30, 2015

	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 411,120	\$ 411,120
Investment Return:		
Investment Income	70,633	70,633
Net depreciation (unrealized)	(47,403)	(47,403)
Total Investment Return	23,230	23,230
Endowment Net Assets, End of Year	\$ 434,350	\$ 434,350

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	2016	2015
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by donor stipulation or by UPMIFA	\$ 457,992	\$ 434,350
Total Endowment Funds Classified as Permanently Restricted Net Assets	\$ 457,992	\$ 434,350

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 14 - RELATED PARTY TRANSACTIONS

Contributions from board members of approximately \$36,261 and \$45,075 are included in contribution income for the years ended June 30, 2016 and 2015, respectively.

NOTE 15 - 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 2 years. Under this plan, the Institute is required to annually define its contribution. For the years ended June 30, 2016 and 2015, the contributions were 3% of eligible participant compensation. Retirement expense for the fiscal years ended June 30, 2016 and 2015 was \$73,869 and \$74,760, respectively. The June 30, 2016 and 2015 expense is net of forfeitures applied of \$752 and \$961, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

These amounts represent amounts forfeited under the terms of the plan by employees who terminated service prior to meeting the required vesting period.

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, 2016 and 2015, the School's contribution rate was 13.73% and 13.41%, respectively. The teachers charged to federal grant programs required a School contribution of 23.14% and 22.60%, for fiscal 2016 and 2015, 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, 2016 and 2015, the total pension contributions paid by the School were \$303,267 and \$286,480, 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, 2016 and 2015, these contributions totaled approximately \$200,000 and \$159,000, 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 4 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, 2016 and 2015, the School contributed 3% of eligible participant compensation. Retirement expense pertaining to the 403(b) plan for the fiscal years ended June 30, 2016 and 2015 was \$16,005 and \$14,585, respectively.

NOTE 16 - 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 17 - 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.

NOTE 18 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 consolidated financial statements in order for them to conform to the 2016 presentation.

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2016**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 542,486	\$ 1,315,332	\$ 1,857,818	\$ -	\$ 1,857,818
Restricted cash	22,285	-	22,285	-	22,285
Investments	1,013,932	665,270	1,679,202	-	1,679,202
Grants receivable	461,430	40,798	502,228	-	502,228
Accounts receivable, net	382,261	172,752	555,013	-	555,013
Prepaid expenses and other current assets	90,741	16,170	106,911	-	106,911
Total current assets	<u>2,513,135</u>	<u>2,210,322</u>	<u>4,723,457</u>	<u>-</u>	<u>4,723,457</u>
Property and Equipment, Net	<u>2,237,669</u>	<u>1,120,567</u>	<u>3,358,236</u>	<u>-</u>	<u>3,358,236</u>
Deferred Financing Costs, Net	<u>-</u>	<u>136,231</u>	<u>136,231</u>	<u>-</u>	<u>136,231</u>
Total Assets	<u>\$ 4,750,804</u>	<u>\$ 3,467,120</u>	<u>\$ 8,217,924</u>	<u>\$ -</u>	<u>\$ 8,217,924</u>

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2016**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 151,930	\$ 141,113	\$ 293,043	\$ -	\$ 293,043
Accrued expenses	283,843	437,349	721,192	-	721,192
Deferred revenue	43,588	-	43,588	-	43,588
Current portion of long-term debt	-	80,000	80,000	-	80,000
Current portion of capital lease	9,358	-	9,358	-	9,358
Total current liabilities	<u>488,719</u>	<u>658,462</u>	<u>1,147,181</u>	<u>-</u>	<u>1,147,181</u>
Long-Term Liabilities					
Long-term debt	-	1,640,000	1,640,000	-	1,640,000
Capital lease	5,836	-	5,836	-	5,836
Total long-term liabilities	<u>5,836</u>	<u>1,640,000</u>	<u>1,645,836</u>	<u>-</u>	<u>1,645,836</u>
Total liabilities	<u>494,555</u>	<u>2,298,462</u>	<u>2,793,017</u>	<u>-</u>	<u>2,793,017</u>
Net Assets					
Unrestricted					
Undesignated	3,031,577	1,138,603	4,170,180	-	4,170,180
Board designated	650,146	-	650,146	-	650,146
Total unrestricted	<u>3,681,723</u>	<u>1,138,603</u>	<u>4,820,326</u>	<u>-</u>	<u>4,820,326</u>
Temporarily restricted	116,534	30,055	146,589	-	146,589
Permanently restricted	457,992	-	457,992	-	457,992
Total net assets	<u>4,256,249</u>	<u>1,168,658</u>	<u>5,424,907</u>	<u>-</u>	<u>5,424,907</u>
Total Liabilities and Net Assets	<u>\$ 4,750,804</u>	<u>3,467,120</u>	<u>\$ 8,217,924</u>	<u>\$ -</u>	<u>\$ 8,217,924</u>

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2015**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 266,598	\$ 1,789,062	\$ 2,055,660	\$ -	\$ 2,055,660
Investments	969,039	-	969,039	-	969,039
Grants receivable	507,112	26,332	533,444	-	533,444
Accounts receivable, net	392,781	47,786	440,567	-	440,567
Prepaid expenses and other current assets	64,807	28,571	93,378	-	93,378
Total current assets	<u>2,200,337</u>	<u>1,891,751</u>	<u>4,092,088</u>	<u>-</u>	<u>4,092,088</u>
Property and Equipment, Net	<u>2,296,882</u>	<u>1,199,000</u>	<u>3,495,882</u>	<u>-</u>	<u>3,495,882</u>
Deferred Financing Costs, Net	<u>-</u>	<u>144,206</u>	<u>144,206</u>	<u>-</u>	<u>144,206</u>
Total Assets	<u>\$ 4,497,219</u>	<u>\$ 3,234,957</u>	<u>\$ 7,732,176</u>	<u>\$ -</u>	<u>\$ 7,732,176</u>

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2015**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 137,608	\$ 59,991	\$ 197,599	\$ -	\$ 197,599
Accrued expenses	287,676	301,863	589,539	-	589,539
Deferred revenue	41,150	-	41,150	-	41,150
Current portion of long-term debt	-	75,000	75,000	-	75,000
Current portion of capital lease	8,650	-	8,650	-	8,650
Total current liabilities	<u>475,084</u>	<u>436,854</u>	<u>911,938</u>	<u>-</u>	<u>911,938</u>
Long-Term Liabilities					
Long-term debt	-	1,720,000	1,720,000	-	1,720,000
Capital lease	15,194	-	15,194	-	15,194
Total long-term liabilities	<u>15,194</u>	<u>1,720,000</u>	<u>1,735,194</u>	<u>-</u>	<u>1,735,194</u>
Total liabilities	<u>490,278</u>	<u>2,156,854</u>	<u>2,647,132</u>	<u>-</u>	<u>2,647,132</u>
Net Assets					
Unrestricted					
Undesignated	2,886,182	1,009,010	3,895,192	-	3,895,192
Board designated	622,412	-	622,412	-	622,412
Total unrestricted	<u>3,508,594</u>	<u>1,009,010</u>	<u>4,517,604</u>	<u>-</u>	<u>4,517,604</u>
Temporarily restricted	63,997	69,093	133,090	-	133,090
Permanently restricted	434,350	-	434,350	-	434,350
Total net assets	<u>4,006,941</u>	<u>1,078,103</u>	<u>5,085,044</u>	<u>-</u>	<u>5,085,044</u>
Total Liabilities and Net Assets	<u>\$ 4,497,219</u>	<u>\$ 3,234,957</u>	<u>\$ 7,732,176</u>	<u>\$ -</u>	<u>\$ 7,732,176</u>

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Unrestricted Support, Revenues and Investment Return					
Support and Revenue					
United Way	\$ 173,200	\$ -	\$ 173,200	\$ -	\$ 173,200
Public grants and contracts	3,295,382	287,401	3,582,783	-	3,582,783
Private grants and contracts	541,668	36,055	577,723	-	577,723
Contributions	172,044	-	172,044	-	172,044
Tuition, fees and services	2,013,283	4,547,614	6,560,897	-	6,560,897
Medicaid services	-	23,594	23,594	-	23,594
Food services	-	151,970	151,970	-	151,970
Afterschool programs	-	91,100	91,100	-	91,100
Other income	27,945	-	27,945	-	27,945
Donated goods and services	5,760	-	5,760	-	5,760
Total Support and Revenue	<u>6,229,282</u>	<u>5,137,734</u>	<u>11,367,016</u>	<u>-</u>	<u>11,367,016</u>
Investment Return (Losses or Expenses)					
Interest and dividends	16,677	4,423	21,100	-	21,100
Management fees	(9,368)	(793)	(10,161)	-	(10,161)
Net realized gains (losses) on sales of investments	1,656	(221)	1,435	-	1,435
Net unrealized appreciation (depreciation) of investments	17,499	(10,788)	6,711	-	6,711
Total Net Investment Return (Losses or Expenses)	<u>26,464</u>	<u>(7,379)</u>	<u>19,085</u>	<u>-</u>	<u>19,085</u>
Net Assets Released from Restrictions					
Contributions satisfied by use of funds for restricted purpose	<u>50,758</u>	<u>39,125</u>	<u>89,883</u>	<u>-</u>	<u>89,883</u>
Total Unrestricted Support, Revenues, and Other	<u>6,306,504</u>	<u>5,169,480</u>	<u>11,475,984</u>	<u>-</u>	<u>11,475,984</u>
Expenses:					
Program Services:					
Social	3,621,995	-	3,621,995	-	3,621,995
Educational	1,378,355	4,649,022	6,027,377	-	6,027,377
Total Program Services	<u>5,000,350</u>	<u>4,649,022</u>	<u>9,649,372</u>	<u>-</u>	<u>9,649,372</u>
Supporting Services					
General overhead and administration	1,001,437	390,865	1,392,302	-	1,392,302
Fundraising	131,588	-	131,588	-	131,588
Total Supporting Services	<u>1,133,025</u>	<u>390,865</u>	<u>1,523,890</u>	<u>-</u>	<u>1,523,890</u>
Total Expenses	<u>6,133,375</u>	<u>5,039,887</u>	<u>11,173,262</u>	<u>-</u>	<u>11,173,262</u>
Changes in Unrestricted Net Assets from Operations	173,129	129,593	302,722	-	302,722
Temporarily Restricted Net Assets					
Contributions and grants	103,295	87	103,382	-	103,382
Satisfaction of program restrictions	(50,758)	(39,125)	(89,883)	-	(89,883)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>52,537</u>	<u>(39,038)</u>	<u>13,499</u>	<u>-</u>	<u>13,499</u>
Permanently Restricted Net Assets					
Interest and dividends	10,804	-	10,804	-	10,804
Net realized gains on sales of investments	1,110	-	1,110	-	1,110
Net unrealized depreciation of investments	11,728	-	11,728	-	11,728
Increase in Permanently Restricted Net Assets	<u>23,642</u>	<u>-</u>	<u>23,642</u>	<u>-</u>	<u>23,642</u>
Increase in Net Assets	249,308	90,555	339,863	-	339,863
Net Assets - Beginning of Year	<u>4,006,941</u>	<u>1,078,103</u>	<u>5,085,044</u>	<u>-</u>	<u>5,085,044</u>
Net Assets - End of Year	<u>\$ 4,256,249</u>	<u>\$ 1,168,658</u>	<u>\$ 5,424,907</u>	<u>\$ -</u>	<u>\$ 5,424,907</u>

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Unrestricted Support, Revenues and Investment Return					
Support and Revenue					
United way	\$ 173,200	\$ -	\$ 173,200	\$ -	\$ 173,200
Public grants and contracts	3,254,274	351,246	3,605,520	-	3,605,520
Private grants and contracts	475,694	18,822	494,516	-	494,516
Contributions	234,133	-	234,133	-	234,133
Tuition, fees and services	1,719,509	4,235,308	5,954,817	-	5,954,817
Medicaid services	-	42,216	42,216	-	42,216
Food services	-	149,046	149,046	-	149,046
Afterschool programs	-	80,328	80,328	-	80,328
Other income	45,621	1,014	46,635	-	46,635
Donated goods and services	9,284	-	9,284	-	9,284
Total Support and Revenue	<u>5,911,715</u>	<u>4,877,980</u>	<u>10,789,695</u>	<u>-</u>	<u>10,789,695</u>
Investment Return (Losses or Expenses)					
Interest and dividends	19,812	2,673	22,485	-	22,485
Management fees	(11,335)	-	(11,335)	-	(11,335)
Net realized gains on sales of investments	87,172	-	87,172	-	87,172
Net unrealized depreciation of investments	(71,798)	-	(71,798)	-	(71,798)
Total Net Investment Return (Losses or Expenses)	<u>23,851</u>	<u>2,673</u>	<u>26,524</u>	<u>-</u>	<u>26,524</u>
Net Assets Released from Restrictions					
Contributions satisfied by use of funds for restricted purpose	<u>43,623</u>	<u>28,285</u>	<u>71,908</u>	<u>-</u>	<u>71,908</u>
Total Unrestricted Support, Revenues, and Other	<u>5,979,189</u>	<u>4,908,938</u>	<u>10,888,127</u>	<u>-</u>	<u>10,888,127</u>
Expenses:					
Program Services:					
Social	3,426,516	-	3,426,516	-	3,426,516
Educational	1,590,859	4,563,532	6,154,391	-	6,154,391
Total Program Services	<u>5,017,375</u>	<u>4,563,532</u>	<u>9,580,907</u>	<u>-</u>	<u>9,580,907</u>
Supporting Services					
General overhead and administration	892,206	374,638	1,266,844	-	1,266,844
Fundraising	118,007	-	118,007	-	118,007
Total Supporting Services	<u>1,010,213</u>	<u>374,638</u>	<u>1,384,851</u>	<u>-</u>	<u>1,384,851</u>
Total Expenses	<u>6,027,588</u>	<u>4,938,170</u>	<u>10,965,758</u>	<u>-</u>	<u>10,965,758</u>
Changes in Unrestricted Net Assets from Operations	(48,399)	(29,232)	(77,631)	-	(77,631)
Temporarily Restricted Net Assets					
Contributions and grants	55,896	5,290	61,186	-	61,186
Satisfaction of program restrictions	(43,623)	(28,285)	(71,908)	-	(71,908)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>12,273</u>	<u>(22,995)</u>	<u>(10,722)</u>	<u>-</u>	<u>(10,722)</u>
Permanently Restricted Net Assets					
Interest and dividends	13,081	-	13,081	-	13,081
Net realized gains on sales of investments	57,552	-	57,552	-	57,552
Net unrealized depreciation of investments	(47,403)	-	(47,403)	-	(47,403)
Increase in Permanently Restricted Net Assets	<u>23,230</u>	<u>-</u>	<u>23,230</u>	<u>-</u>	<u>23,230</u>
Decrease in Net Assets	(12,896)	(52,227)	(65,123)	-	(65,123)
Unrestricted Net Assets - Beginning of Year	<u>4,019,837</u>	<u>1,130,330</u>	<u>5,150,167</u>	<u>-</u>	<u>5,150,167</u>
Unrestricted Net Assets - End of Year	<u>\$ 4,006,941</u>	<u>\$ 1,078,103</u>	<u>\$ 5,085,044</u>	<u>\$ -</u>	<u>\$ 5,085,044</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, 2016**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Cash Flows from Operating Activities					
Change in net assets	\$ 249,308	\$ 90,555	\$ 339,863	\$ -	\$ 339,863
Items which do not affect cash					
Depreciation	179,601	124,517	304,118	-	304,118
Amortization	-	7,975	7,975	-	7,975
Donated securities	(6,361)	-	(6,361)	-	(6,361)
Bad debt expense	7,300	-	7,300	-	7,300
Net realized gains on sales of investments	(2,766)	221	(2,545)	-	(2,545)
Net unrealized depreciation of investments	(29,227)	10,788	(18,439)	-	(18,439)
Investment income restricted for reinvestment	(11,914)	-	(11,914)	-	(11,914)
(Increase) decrease in operating assets					
Grants receivable	45,682	(14,466)	31,216	-	31,216
Accounts receivable	3,220	(124,966)	(121,746)	-	(121,746)
Prepaid Expenses	(25,934)	12,401	(13,533)	-	(13,533)
Increase (decrease) in operating liabilities					
Accounts payable	14,322	81,123	95,445	-	95,445
Accrued expenses	(3,833)	135,486	131,653	-	131,653
Deferred revenue	2,438	-	2,438	-	2,438
Net cash provided from (used by) operating activities	<u>421,836</u>	<u>323,634</u>	<u>745,470</u>	<u>-</u>	<u>745,470</u>
Cash Flows from Investing Activities					
Increase in restricted cash	(22,285)	-	(22,285)	-	(22,285)
Acquisition of Property and Equipment	(120,388)	(46,084)	(166,472)	-	(166,472)
Purchase of Investments	(132,365)	(812,112)	(944,477)	-	(944,477)
Proceeds from sales of investments	125,825	135,833	261,658	-	261,658
Net cash used by investing activities	<u>(149,213)</u>	<u>(722,363)</u>	<u>(871,576)</u>	<u>-</u>	<u>(871,576)</u>
Cash Flows from Financing Activities					
Repayment of long-term debt	-	(75,000)	(75,000)	-	(75,000)
Investment income restricted for reinvestment	11,914	-	11,914	-	11,914
Principal repayment on capital lease obligation	(8,650)	-	(8,650)	-	(8,650)
Net cash provided from (used by) financing activities	<u>3,264</u>	<u>(75,000)</u>	<u>(71,736)</u>	<u>-</u>	<u>(71,736)</u>
Increase (Decrease) in Cash	<u>275,887</u>	<u>(473,729)</u>	<u>(197,842)</u>	<u>-</u>	<u>(197,842)</u>
Cash - Beginning of Year	<u>266,599</u>	<u>1,789,061</u>	<u>2,055,660</u>	<u>-</u>	<u>2,055,660</u>
Cash - End of Year	<u>\$ 542,486</u>	<u>\$ 1,315,332</u>	<u>\$ 1,857,818</u>	<u>\$ -</u>	<u>\$ 1,857,818</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, 2015**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Cash Flows from Operating Activities					
Change in net assets	\$ (12,896)	\$ (52,227)	\$ (65,123)	\$ -	\$ (65,123)
Items which do not affect cash					
Depreciation	175,796	127,118	302,914	-	302,914
Amortization	-	7,975	7,975	-	7,975
Donated securities	(5,632)	-	(5,632)	-	(5,632)
Bad debt expense	4,634	-	4,634	-	4,634
Net realized gains on sales of investments	(144,724)	-	(144,724)	-	(144,724)
Net unrealized depreciation of investments	119,201	-	119,201	-	119,201
Investment income restricted for reinvestment	(70,633)	-	(70,633)	-	(70,633)
(Increase) decrease in operating assets			-	-	-
Grants receivable	(32,191)	21,479	(10,712)	-	(10,712)
Accounts receivable	(209,627)	(205)	(209,832)	-	(209,832)
Prepaid expenses and other current assets	14,074	12,371	26,445	-	26,445
Increase (decrease) in operating liabilities			-	-	-
Accounts payable	(6,998)	(15,390)	(22,388)	-	(22,388)
Accrued expenses	(52,981)	(135,118)	(188,099)	-	(188,099)
Deferred revenue	(21,163)	-	(21,163)	-	(21,163)
Net cash used by operating activities	<u>(243,140)</u>	<u>(33,997)</u>	<u>(277,137)</u>	<u>-</u>	<u>(277,137)</u>
Cash Flows from Investing Activities					
Acquisition of Property and Equipment	(136,685)	(15,757)	(152,442)	-	(152,442)
Purchase of Investments	(469,137)	-	(469,137)	-	(469,137)
Proceeds from sales of investments	536,474	-	536,474	-	536,474
Net cash used by investing activities	<u>(69,348)</u>	<u>(15,757)</u>	<u>(85,105)</u>	<u>-</u>	<u>(85,105)</u>
Cash Flows from Financing Activities					
Repayment of long-term debt	-	(75,000)	(75,000)	-	(75,000)
Investment income restricted for reinvestment	70,633	-	70,633	-	70,633
Principal repayment on capital lease obligation	(7,994)	-	(7,994)	-	(7,994)
Net cash provided from (used by) financing activities	<u>62,639</u>	<u>(75,000)</u>	<u>(12,361)</u>	<u>-</u>	<u>(12,361)</u>
Decrease in Cash	<u>(249,849)</u>	<u>(124,754)</u>	<u>(374,603)</u>	<u>-</u>	<u>(374,603)</u>
Cash - Beginning of Year	<u>516,448</u>	<u>1,913,815</u>	<u>2,430,263</u>	<u>-</u>	<u>2,430,263</u>
Cash - End of Year	<u>\$ 266,599</u>	<u>\$ 1,789,061</u>	<u>\$ 2,055,660</u>	<u>\$ -</u>	<u>\$ 2,055,660</u>