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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, 2017 AND 2016

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 (collectively referred to as the Organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, changes in net assets, and cash flows for the years 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 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 Dorcas International Institute of Rhode Island, Inc. and The International Charter School Corporation as of June 30, 2017 and 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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, during the year ended June 30, 2017, the Organization adopted Accounting Standards Update 2015-03, *Interest – Imputation of Interest*. As a result, certain amounts related to bond issuance costs have been reclassified as of June 30, 2016. 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, consolidating schedules of activities, and consolidating schedules of cash flows as of and for the years ended June 30, 2017 and 2016 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 26, 2017 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 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.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
September 26, 2017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,132,950	\$ 1,857,818
Restricted cash	89,699	22,285
Investments	1,887,450	1,679,202
Grants receivable	603,941	502,228
Accounts receivable, net	439,374	555,013
Prepaid expenses and other current assets	117,156	106,911
Total current assets	5,270,570	4,723,457
Property and Equipment, Net	3,177,102	3,358,236
Total Assets	\$ 8,447,672	\$ 8,081,693
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 236,266	\$ 293,043
Accrued expenses	683,769	721,192
Deferred revenue	73,745	43,588
Current portion of long-term debt	80,000	80,000
Current portion of capital lease	5,836	9,358
Total current liabilities	1,079,616	1,147,181
Long-Term Liabilities		
Long-term debt	1,431,743	1,503,769
Capital lease	-	5,836
Total long term liabilities	1,431,743	1,509,605
Total liabilities	2,511,359	2,656,786
Net Assets		
Unrestricted		
Undesignated	4,353,207	4,170,180
Board designated	719,673	650,146
Total unrestricted	5,072,880	4,820,326
Temporarily restricted	354,593	146,589
Permanently restricted	508,840	457,992
	5,936,313	5,424,907
Total Liabilities and Net Assets	\$ 8,447,672	\$ 8,081,693

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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Unrestricted Support, Revenues and Investment Return		
Support and Revenue		
United Way	\$ 250,004	\$ 173,200
Public grants and contracts	3,884,722	3,582,783
Private grants and contracts	427,625	577,723
Contributions	242,821	172,044
Tuition, fees and services	6,709,240	6,560,897
Medicaid services	8,690	23,594
Food services	152,293	151,970
Afterschool programs	90,430	91,100
Other income	25,918	27,945
Donated goods and services	-	5,760
Total Support and Revenue	<u>11,791,743</u>	<u>11,367,016</u>
Investment Return (Losses or Expenses)		
Interest and dividends	38,934	21,100
Management fees	(15,551)	(10,161)
Net realized gains on sales of investments	11,562	1,435
Net unrealized appreciation of investments	97,075	6,711
Total Net Investment Return	<u>132,020</u>	<u>19,085</u>
Net Assets Released from Restrictions		
Contributions satisfied by use of funds for restricted purpose	<u>125,912</u>	<u>89,883</u>
Total Unrestricted Support, Revenues, and Other	<u>12,049,675</u>	<u>11,475,984</u>
Expenses:		
Program Services:		
Social	3,983,263	3,621,995
Educational	6,277,725	6,027,377
Total Program Services	<u>10,260,988</u>	<u>9,649,372</u>
Supporting Services		
General overhead and administration	1,421,964	1,392,302
Fundraising	114,169	131,588
Total Supporting Services	<u>1,536,133</u>	<u>1,523,890</u>
Total Expenses	<u>11,797,121</u>	<u>11,173,262</u>
Changes in Unrestricted Net Assets from Operations	252,554	302,722
Temporarily Restricted Net Assets		
Contributions and grants	333,916	103,382
Satisfaction of program restrictions	(125,912)	(89,883)
Increase in Temporarily Restricted Net Assets	<u>208,004</u>	<u>13,499</u>
Permanently Restricted Net Assets		
Interest and dividends	11,350	10,804
Net realized gains on sales of investments	5,273	1,110
Net unrealized appreciation of investments	34,225	11,728
Increase in Permanently Restricted Net Assets	<u>50,848</u>	<u>23,642</u>
Increase in Net Assets	<u>511,406</u>	<u>339,863</u>
Net Assets - Beginning of Year	<u>5,424,907</u>	<u>5,085,044</u>
Net Assets - End of Year	<u>\$ 5,936,313</u>	<u>\$ 5,424,907</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Balance at beginning of year	\$ 4,820,326	\$ 4,517,604
Increase in unrestricted net assets	<u>252,554</u>	<u>302,722</u>
Balance at End of Year	<u>5,072,880</u>	<u>4,820,326</u>
Temporarily Restricted Net Assets		
Balance at beginning of year	146,589	133,090
Increase in temporarily restricted net assets	<u>208,004</u>	<u>13,499</u>
Balance at End of Year	<u>354,593</u>	<u>146,589</u>
Permanently Restricted Net Assets		
Balance at beginning of year	457,992	434,350
Increase in permanently restricted net assets	<u>50,848</u>	<u>23,642</u>
Balance at End of Year	<u>508,840</u>	<u>457,992</u>
Total Net Assets at End of Year	\$ <u>5,936,313</u>	\$ <u>5,424,907</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 511,406	\$ 339,863
Items which do not affect cash		
Depreciation	310,277	304,118
Amortization of debt issuance costs to interest expense	7,974	7,975
Donated securities	(5,864)	(6,361)
Bad debt expense	6,483	7,300
Net realized gains on sales of investments	(16,835)	(2,545)
Net unrealized appreciation of investments	(131,300)	(18,439)
Investment income restricted for reinvestment	(16,623)	(11,914)
(Increase) decrease in operating assets		
Grants receivable	(101,713)	31,216
Accounts receivable	109,156	(121,746)
Prepaid expenses	(10,245)	(13,533)
Increase (decrease) in operating liabilities		
Accounts payable	(56,777)	95,445
Accrued expenses	(37,423)	131,653
Deferred revenue	30,157	2,438
Net cash provided from operating activities	<u>598,673</u>	<u>745,470</u>
Cash Flows from Investing Activities		
Increase in restricted cash	(67,414)	(22,285)
Acquisition of property and equipment	(129,143)	(166,472)
Purchase of investments	(264,096)	(944,477)
Proceeds from sales of investments	209,847	261,658
Net cash used by investing activities	<u>(250,806)</u>	<u>(871,576)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(80,000)	(75,000)
Investment income restricted for reinvestment	16,623	11,914
Principal repayment on capital lease obligation	(9,358)	(8,650)
Net cash used by financing activities	<u>(72,735)</u>	<u>(71,736)</u>
Increase (Decrease) in Cash	275,132	(197,842)
Cash - Beginning of Year	<u>1,857,818</u>	<u>2,055,660</u>
Cash - End of Year	<u>\$ 2,132,950</u>	<u>\$ 1,857,818</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

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. All significant 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 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, 2017 and 2016. 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. 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.

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 includes investments designated by the Board for certain operational or educational purposes.

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 \$0 and \$5,760 for the years ended June 30, 2017 and 2016, 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 general overhead and administration expense.

Advertising Costs

The Organization expenses advertising costs when incurred. For the years ended June 30, 2017 and 2016, advertising expense totaled \$15,554 and \$5,139, respectively.

Change in Accounting Principle

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, *Interest – Imputation of Interest*, which simplifies the presentation of debt issuance costs. The amendment changes the presentation of debt issuance costs from an asset to a direct deduction of the associated debt on the accompanying consolidated statements of financial position. In addition, the amortization of debt issue costs is now included in interest expense rather than amortization expense in the accompanying consolidated statements of activities. This ASU is effective for annual periods beginning after December 15, 2015. The Organization has adopted the amendments for the year ended June 30, 2017. The amendment has been retrospectively applied. As a result, debt issuance costs of \$136,231 have been reclassified from assets to a direct deduction of the debt in the consolidated statement of financial position as of June 30, 2016.

Subsequent Events

Subsequent events have been evaluated through September 26, 2017, which is the date the financial statements were available for issuance.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2017, grants receivable included amounts due from four grantors representing approximately 69% of the outstanding balance. At June 30, 2016 there were four grantors representing approximately 82% of the outstanding balance.

The Organization receives a substantial portion of its revenue for Federal and State sources.

NOTE 4 - INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Common stocks	\$ 1,192,726	\$ 1,046,616
Mutual funds	205,598	221,171
Corporate and government bonds	471,648	392,794
REIT's	<u>17,478</u>	<u>18,621</u>
Investments	<u>\$ 1,887,450</u>	<u>\$ 1,679,202</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 50,284	\$ 31,904
Unrealized gain on investments, net	131,300	18,439
Realized gains, net	<u>16,835</u>	<u>2,545</u>
Total investment return	<u>\$ 198,419</u>	<u>\$ 52,888</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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The fair value of assets measured on a recurring basis at June 30, 2017 is as follows:

	<u>Level 1</u>	<u>Total</u>
Common Stocks		
Consumer discretionary	\$ 131,835	\$ 131,835
Consumer staples	56,481	56,481
Energy	43,475	43,475
Financials	325,333	325,333
Healthcare	133,581	133,581
Industrials	109,573	109,573
Information technology	201,328	201,328
Materials	22,464	22,464
Telecommunication services	18,126	18,126
Utilities	24,019	24,019
Other equities	126,511	126,511
Total Common Stocks	<u>1,192,726</u>	<u>1,192,726</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mutual Funds		
Consumer discretionary	10,815	10,815
Financials	22,454	22,454
Industrials	16,489	16,489
AAA Bonds	82,284	82,284
A Bonds	11,157	11,157
BBB Bonds	45,296	45,296
B Bonds	17,103	17,103
	\$ 205,598	\$ 205,598
Corporate and Government Bonds		
AAA	\$ 242,350	\$ 242,350
BBB	203,798	203,798
BB	25,500	25,500
	471,648	471,648
REIT	17,478	17,478
	17,478	17,478
Total Investments	\$ 1,887,450	\$ 1,887,450

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

	Level 1	Total
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
	1,046,616	1,046,616
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
	\$ 221,171	\$ 221,171

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment - at cost, less accumulated depreciation at June 30:

	2017	2016
Land	\$ 343,055	\$ 343,055
Buildings and improvements	3,233,745	3,120,915
Leasehold improvements	2,232,881	2,195,410
Playground	139,812	139,812
Furniture and equipment	1,223,426	1,150,999
	7,172,919	7,043,776
Less accumulated depreciation	(3,995,817)	(3,685,540)
	\$ 3,177,102	\$ 3,358,236

Depreciation expense for the years ended June 30, 2017 and 2016 was \$310,277 and \$304,118, respectively.

NOTE 7 - DEFERRED REVENUE

Deferred revenue related to the following as of June 30:

	2017	2016
Immigration and refugee resettlement	\$ 46,866	\$ 40,563
Fall registrations	7,193	1,925
Special event	18,250	-
Other	1,436	1,100
Total	\$ 73,745	\$ 43,588

The Organization receives revenue for immigrant and refugee resettlement and family literacy programs, and the \$46,866 and \$40,563 represents funds not yet distributed to and used for the benefit of participants in the program in 2017 and 2016, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LINE OF CREDIT

The Institute has a commercial line of credit bearing interest at the prime rate, 4.25% as of June 30, 2017, and is due on demand. There was no balance owed on the line of credit at June 30, 2017 and 2016. 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, 2017.

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 1.05% and 0.25% as of June 30, 2017 and 2016. 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, 2017 and 2016 is as follows:

	2017		2016	
	Principal	Unamortized Bond Issuance Costs	Principal	Unamortized Bond Issuance Costs
2003 Series Bonds Payable	\$ 1,640,000	\$ <u>128,257</u>	\$ 1,720,000	\$ <u>136,231</u>
Less current portion	<u>80,000</u>		<u>80,000</u>	
Long-term portion	1,560,000		1,640,000	
Less unamortized bond issuance costs	<u>128,257</u>		<u>136,231</u>	
Long-term debt, net	<u>\$ 1,431,743</u>		<u>\$ 1,503,769</u>	

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Annual maturities on long-term debt are as follows:

<u>Year ending June 30,</u>	
2018	\$ 80,000
2019	85,000
2020	85,000
2021	90,000
2022	90,000
Thereafter	<u>1,210,000</u>
Total Long-Term Debt	1,640,000
Less current portion of long-term debt	<u>80,000</u>
Net Long-Term Debt	<u>\$ 1,560,000</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 maximum leverage ratio, and the maintenance of certain debt coverage ratios. As of June 30, 2017, management is not aware of any violations of the covenants.

The Organization incurred and paid interest costs of \$21,165 and \$12,140 (including \$7,974 for each year of amortization of deferred finance fees) for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 was \$5,836 and \$15,194, respectively.

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

<u>Year Ending June 30,</u>	
2018	\$ <u>5,964</u>
Total future minimum lease payments	5,964
Less deemed interest	<u>128</u>
Present value of future minimum lease payments	5,836
Less current portion	<u>5,836</u>
Long-term portion	<u>\$ -</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$101,620 for the years ended June 30, 2017 and 2016.

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 \$23,820 and \$23,235 for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments under the above noted operating lease obligation are as follows:

<u>Year ending June 30,</u>		
2018	\$	57,572
2019		22,065
2020		<u>19,690</u>
Total	\$	<u>99,327</u>

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
<u>Institute</u>		
Education	\$ 8,100	\$ 8,100
Building renovations	89,300	22,285
Social services – outreach	35,000	20,168
Refugee services	221,969	65,981
Total Institute	<u>354,369</u>	<u>116,534</u>
	<u>2017</u>	<u>2016</u>
<u>School</u>		
Expansion project	-	29,831
Educational programs	224	224
Total School	<u>224</u>	<u>30,055</u>
Temporarily Restricted Net Assets	<u>\$ 354,593</u>	<u>\$ 146,589</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Temporarily restricted net assets which were expended for donor specified purposes were released from restrictions as follows for the fiscal year ended June 30:

	<u>2017</u>	<u>2016</u>
<u>Institute</u>		
Building renovations	\$ 24,935	\$ -
Staff development	-	14,705
Social services - outreach	17,518	16,156
Refugee services	53,628	19,897
	<u>\$ 96,081</u>	<u>\$ 50,758</u>
	<u>2017</u>	<u>2016</u>
<u>School</u>		
Expansion project	\$ 29,831	\$ 39,016
Educational programs	-	109
	<u>\$ 29,831</u>	<u>\$ 39,125</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, 2017 and 2016, the fair value of the Friedman Fund was \$508,840 and \$457,992, 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;

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2017

	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 508,840	\$ 508,840

Changes in Endowment Net Asset Composition for the Fiscal Year Ended June 30, 2017

	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 457,992	\$ 457,992
Investment Return:		
Investment income	16,623	16,623
Net appreciation (unrealized)	34,225	34,225
Total Investment Return	50,848	50,848
Endowment Net Assets, End of Year	\$ 508,840	\$ 508,840

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 depreciation (unrealized)	11,728	11,728
Total Investment Return	23,642	23,642
Endowment Net Assets, End of Year	\$ 457,992	\$ 457,992

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

	2017	2016
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by donor stipulation or by UPMIFA	\$ 508,840	\$ 457,992
Total Endowment Funds Classified as Permanently Restricted Net Assets	\$ 508,840	\$ 457,992

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 \$66,170 and \$36,261 are included in contribution income for the years ended June 30, 2017 and 2016, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 two years. Under this plan, the Institute is required to annually define its contribution. For the years ended June 30, 2017 and 2016, the contributions were 3% of eligible participant compensation. Retirement expense for the fiscal years ended June 30, 2017 and 2016 was \$87,192 and \$73,869, respectively. The June 30, 2017 and 2016 expense is net of forfeitures applied of \$0 and \$752, respectively. 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, 2017 and 2016, the School's contribution rate was 13.18% and 13.73%, respectively. The teachers charged to federal grant programs required a School contribution of 23.13% and 23.14%, for fiscal 2017 and 2016, 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, 2017 and 2016, the total pension contributions paid by the School were \$297,962 and \$303,267, 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, 2017 and 2016, these contributions totaled approximately \$207,000 and \$200,000, 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, 2017 and 2016, the School contributed 3% of eligible participant compensation. Retirement expense pertaining to the 403(b) plan for the fiscal years ended June 30, 2017 and 2016 was \$15,167 and \$16,005, 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.

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2017**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 857,197	\$ 1,275,753	\$ 2,132,950	\$ -	\$ 2,132,950
Restricted cash	89,699	-	89,699	-	89,699
Investments	1,144,353	743,097	1,887,450	-	1,887,450
Grants receivable	516,279	87,662	603,941	-	603,941
Accounts receivable, net	382,810	56,564	439,374	-	439,374
Prepaid expenses and other current assets	86,459	30,697	117,156	-	117,156
Total current assets	<u>3,076,797</u>	<u>2,193,773</u>	<u>5,270,570</u>	<u>-</u>	<u>5,270,570</u>
Property and Equipment, Net	<u>2,133,099</u>	<u>1,044,003</u>	<u>3,177,102</u>	<u>-</u>	<u>3,177,102</u>
Total Assets	<u>\$ 5,209,896</u>	<u>\$ 3,237,776</u>	<u>\$ 8,447,672</u>	<u>\$ -</u>	<u>\$ 8,447,672</u>

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

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2017

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$ 140,451	\$ 95,815	\$ 236,266	\$ -	\$ 236,266
Accrued expenses	307,962	375,807	683,769	-	683,769
Deferred revenue	73,745	-	73,745	-	73,745
Current portion of long-term debt	-	80,000	80,000	-	80,000
Current portion of capital lease	5,836	-	5,836	-	5,836
Total current liabilities	<u>527,994</u>	<u>551,622</u>	<u>1,079,616</u>	<u>-</u>	<u>1,079,616</u>
Long-Term Liabilities					
Long-term debt	<u>-</u>	<u>1,431,743</u>	<u>1,431,743</u>	<u>-</u>	<u>1,431,743</u>
Total liabilities	<u>527,994</u>	<u>1,983,365</u>	<u>2,511,359</u>	<u>-</u>	<u>2,511,359</u>
Net Assets					
Unrestricted					
Undesignated	3,099,020	1,254,187	4,353,207	-	4,353,207
Board designated	719,673	-	719,673	-	719,673
Total unrestricted	<u>3,818,693</u>	<u>1,254,187</u>	<u>5,072,880</u>	<u>-</u>	<u>5,072,880</u>
Temporarily restricted	354,369	224	354,593	-	354,593
Permanently restricted	508,840	-	508,840	-	508,840
Total net assets	<u>4,681,902</u>	<u>1,254,411</u>	<u>5,936,313</u>	<u>-</u>	<u>5,936,313</u>
Total Liabilities and Net Assets	<u>\$ 5,209,896</u>	<u>\$ 3,237,776</u>	<u>\$ 8,447,672</u>	<u>\$ -</u>	<u>\$ 8,447,672</u>

**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>
Total Assets	<u>\$ 4,750,804</u>	<u>\$ 3,330,889</u>	<u>\$ 8,081,693</u>	<u>\$ -</u>	<u>\$ 8,081,693</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	-	1,503,769	1,503,769	-	1,503,769
Capital lease	5,836	-	5,836	-	5,836
Total long-term liabilities	<u>5,836</u>	<u>1,503,769</u>	<u>1,509,605</u>	<u>-</u>	<u>1,509,605</u>
Total liabilities	<u>494,555</u>	<u>2,162,231</u>	<u>2,656,786</u>	<u>-</u>	<u>2,656,786</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>3,330,889</u>	<u>\$ 8,081,693</u>	<u>\$ -</u>	<u>\$ 8,081,693</u>

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	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	\$ 250,004	\$ -	\$ 250,004	\$ -	\$ 250,004
Public grants and contracts	3,598,406	286,316	3,884,722	-	3,884,722
Private grants and contracts	397,566	30,059	427,625	-	427,625
Contributions	242,821	-	242,821	-	242,821
Tuition, fees and services	2,093,366	4,615,874	6,709,240	-	6,709,240
Medicaid services	-	8,690	8,690	-	8,690
Food services	-	152,293	152,293	-	152,293
Afterschool programs	-	90,430	90,430	-	90,430
Other income	24,573	1,345	25,918	-	25,918
Total Support and Revenue	<u>6,606,736</u>	<u>5,185,007</u>	<u>11,791,743</u>	<u>-</u>	<u>11,791,743</u>
Investment Return (Losses or Expenses)					
Interest and dividends	18,410	20,524	38,934	-	38,934
Management fees	(9,204)	(6,347)	(15,551)	-	(15,551)
Net realized gains on sales of investments	8,180	3,382	11,562	-	11,562
Net unrealized appreciation of investments	53,083	43,992	97,075	-	97,075
Total Net Investment Return	<u>70,469</u>	<u>61,551</u>	<u>132,020</u>	<u>-</u>	<u>132,020</u>
Net Assets Released from Restrictions					
Contributions satisfied by use of funds for restricted purpose	96,081	29,831	125,912	-	125,912
Total Unrestricted Support, Revenues, and Other	<u>6,773,286</u>	<u>5,276,389</u>	<u>12,049,675</u>	<u>-</u>	<u>12,049,675</u>
Expenses:					
Program Services:					
Social	3,983,263	-	3,983,263	-	3,983,263
Educational	1,537,928	4,739,797	6,277,725	-	6,277,725
Total Program Services	<u>5,521,191</u>	<u>4,739,797</u>	<u>10,260,988</u>	<u>-</u>	<u>10,260,988</u>
Supporting Services					
General overhead and administration	1,000,956	421,008	1,421,964	-	1,421,964
Fundraising	114,169	-	114,169	-	114,169
Total Supporting Services	<u>1,115,125</u>	<u>421,008</u>	<u>1,536,133</u>	<u>-</u>	<u>1,536,133</u>
Total Expenses	<u>6,636,316</u>	<u>5,160,805</u>	<u>11,797,121</u>	<u>-</u>	<u>11,797,121</u>
Changes in Unrestricted Net Assets from Operations	136,970	115,584	252,554	-	252,554
Temporarily Restricted Net Assets					
Contributions and grants	333,916	-	333,916	-	333,916
Satisfaction of program restrictions	(96,081)	(29,831)	(125,912)	-	(125,912)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>237,835</u>	<u>(29,831)</u>	<u>208,004</u>	<u>-</u>	<u>208,004</u>
Permanently Restricted Net Assets					
Interest and dividends	11,350	-	11,350	-	11,350
Net realized gains on sales of investments	5,273	-	5,273	-	5,273
Net unrealized appreciation of investments	34,225	-	34,225	-	34,225
Increase in Permanently Restricted Net Assets	<u>50,848</u>	<u>-</u>	<u>50,848</u>	<u>-</u>	<u>50,848</u>
Increase in Net Assets	425,653	85,753	511,406	-	511,406
Net Assets - Beginning of Year	4,256,249	1,168,658	5,424,907	-	5,424,907
Net Assets - End of Year	<u>\$ 4,681,902</u>	<u>\$ 1,254,411</u>	<u>\$ 5,936,313</u>	<u>\$ -</u>	<u>\$ 5,936,313</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 on sales of investments	1,656	(221)	1,435	-	1,435
Net unrealized appreciation 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 appreciation 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
Unrestricted 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>
Unrestricted 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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Dorcas International Institute of Rhode Island	International Charter School	Combined Total	Eliminations	Consolidated Total
Cash Flows from Operating Activities					
Change in net assets	\$ 425,653	\$ 85,753	\$ 511,406	\$ -	\$ 511,406
Items which do not affect cash					
Depreciation	183,240	127,037	310,277	-	310,277
Amortization of debt issuance costs to interest expense	-	7,974	7,974	-	7,974
Donated securities	(5,864)	-	(5,864)	-	(5,864)
Bad debt expense	6,483	-	6,483	-	6,483
Net realized gains on sales of investments	(13,453)	(3,382)	(16,835)	-	(16,835)
Net unrealized appreciation of investments	(87,308)	(43,992)	(131,300)	-	(131,300)
Investment income restricted for reinvestment	(16,623)	-	(16,623)	-	(16,623)
(Increase) decrease in operating assets					
Grants receivable	(54,849)	(46,864)	(101,713)	-	(101,713)
Accounts receivable	(7,032)	116,188	109,156	-	109,156
Prepaid Expenses	4,282	(14,527)	(10,245)	-	(10,245)
Increase (decrease) in operating liabilities					
Accounts payable	(11,479)	(45,298)	(56,777)	-	(56,777)
Accrued expenses	24,119	(61,542)	(37,423)	-	(37,423)
Deferred revenue	30,157	-	30,157	-	30,157
Net cash provided from operating activities	<u>477,326</u>	<u>121,347</u>	<u>598,673</u>	<u>-</u>	<u>598,673</u>
Cash Flows from Investing Activities					
Increase in restricted cash	(67,414)	-	(67,414)	-	(67,414)
Acquisition of property and equipment	(78,670)	(50,473)	(129,143)	-	(129,143)
Purchase of investments	(116,808)	(147,288)	(264,096)	-	(264,096)
Proceeds from sales of investments	93,012	116,835	209,847	-	209,847
Net cash used by investing activities	<u>(169,880)</u>	<u>(80,926)</u>	<u>(250,806)</u>	<u>-</u>	<u>(250,806)</u>
Cash Flows from Financing Activities					
Repayment of long-term debt	-	(80,000)	(80,000)	-	(80,000)
Investment income restricted for reinvestment	16,623	-	16,623	-	16,623
Principal repayment on capital lease obligation	(9,358)	-	(9,358)	-	(9,358)
Net cash provided from (used by) financing activities	<u>7,265</u>	<u>(80,000)</u>	<u>(72,735)</u>	<u>-</u>	<u>(72,735)</u>
Increase (Decrease) in Cash	<u>314,711</u>	<u>(39,579)</u>	<u>275,132</u>	<u>-</u>	<u>275,132</u>
Cash - Beginning of Year	<u>542,486</u>	<u>1,315,332</u>	<u>1,857,818</u>	<u>-</u>	<u>1,857,818</u>
Cash - End of Year	<u>\$ 857,197</u>	<u>\$ 1,275,753</u>	<u>\$ 2,132,950</u>	<u>\$ -</u>	<u>\$ 2,132,950</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 of debt issuance costs	-	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 appreciation 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 and other current assets	(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 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	<u>125,825</u>	<u>135,833</u>	<u>261,658</u>	<u>-</u>	<u>261,658</u>
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	<u>(8,650)</u>	<u>-</u>	<u>(8,650)</u>	<u>-</u>	<u>(8,650)</u>
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>