

**RHODE ISLAND MAYORAL ACADEMY  
BLACKSTONE VALLEY  
AND AFFILIATE**

**Consolidated Financial Statements  
and Supplementary Information**

**Year Ended June 30, 2018**

**(With Independent Auditors' Report Thereon)**

**RHODE ISLAND MAYORAL ACADEMY  
BLACKSTONE VALLEY AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Year Ended June 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Rhode Island Mayoral Academy Blackstone Valley and Affiliate:

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Rhode Island Mayoral Academy Blackstone Valley (a non-profit organization) and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 Organization'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 Organization'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 Rhode Island Mayoral Academy Blackstone Valley and Affiliate as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

The schedule of functional expenses, statement of financial position, and statement of activities on pages 25 to 27 are presented for 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 not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Kahn, Litwin, Renya & Co., Ltd.*

November 26, 2018

**RHODE ISLAND MAYORAL ACADEMY  
BLACKSTONE VALLEY AND AFFILIATE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2018**



**Assets**

Current Assets:

Cash	\$ 4,069,336
Grants and contracts receivable	3,228,782
Prepaid expenses	242,828
<b>Total current assets</b>	<b><u>7,540,946</u></b>

Property and Equipment	8,039,912
Less accumulated depreciation	2,580,843
<b>Property and equipment, net</b>	<b><u>5,459,069</u></b>

Other Assets:

Security deposits	<u>918,532</u>
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<b>Total Assets</b>	<b><u><u>\$ 13,918,547</u></u></b>
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**Liabilities and Net Assets**

Current Liabilities:

Accounts payable	\$ 457,793
Accrued expenses and other current liabilities	1,180,431
Current portion of long-term debt	147,035
<b>Total current liabilities</b>	<b><u>1,785,259</u></b>

Forgivable Loan	250,000
Long-term Debt, less current portion	4,732,196
Long-term Accrued Interest	15,500
<b>Total liabilities</b>	<b><u>6,782,955</u></b>

Net Assets:

Unrestricted	<u>7,135,592</u>
<b>Total net assets</b>	<b><u>7,135,592</u></b>

<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 13,918,547</u></u></b>
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**RHODE ISLAND MAYORAL ACADEMY  
BLACKSTONE VALLEY AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018**



Change in Unrestricted Net Assets:	
Revenues and public support:	
Federal financial assistance	\$ 2,046,745
State charter school aid	15,291,289
Municipal aid	9,167,716
Medicaid reimbursement	334,385
Other contract revenue and reimbursements	8,189
Contributions	301,107
Miscellaneous income	31,730
Net assets released from restrictions	196,558
<b>Total revenues and public support</b>	<b><u>27,377,719</u></b>
Expenses:	
Program services	22,013,691
Management and general	3,485,881
<b>Total expenses</b>	<b><u>25,499,572</u></b>
<b>Change in unrestricted net assets</b>	<b><u>1,878,147</u></b>
Change in Temporarily Restricted Net Assets:	
Net assets released from restrictions	<u>(196,558)</u>
<b>Change in temporarily restricted net assets</b>	<b><u>(196,558)</u></b>
<b>Change in Total Net Assets</b>	<b>1,681,589</b>
<b>Net Assets, beginning of year</b>	<b><u>5,454,003</u></b>
<b>Net Assets, end of year</b>	<b><u>\$ 7,135,592</u></b>

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2018**



Cash Flows from Operating Activities:	
Change in total net assets	\$ 1,681,589
Adjustments to reconcile change in total net assets to net cash provided by operating activities:	
Depreciation	372,422
Changes in operating assets and liabilities:	
Grants and contracts receivable	(2,057,843)
Prepaid expenses	25,407
Security deposits	(394)
Accounts payable	72,378
Accrued expenses and other current liabilities	399,077
<b>Net cash provided by operating activities</b>	<b><u>492,636</u></b>
Cash Flows from Investing Activities:	
Purchase of property and equipment	(448,247)
Purchase of membership interest	(350,000)
<b>Net cash used by investing activities</b>	<b><u>(798,247)</u></b>
Cash Flows from Financing Activities:	
Proceeds from note payable	350,000
<b>Net cash provided by financing activities</b>	<b><u>350,000</u></b>
<b>Net Increase in Cash</b>	<b>44,389</b>
<b>Cash, beginning of year</b>	<b><u>4,024,947</u></b>
<b>Cash, end of year</b>	<b><u><u>\$ 4,069,336</u></u></b>

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended June 30, 2018**

**1. Nature of Operations**

Rhode Island Mayoral Academy Blackstone Valley (the Academy), is a network of tuition-free public schools chartered by the Rhode Island Department of Education. As a growing network that is part of the Charter School Growth Fund portfolio, the Academy offers a high-quality public school choice to the families of Central Falls, Cumberland, Lincoln, and Pawtucket and currently serves approximately 1,800 scholars in grades K-12 across 6 schools. The Academy's mission is to prepare every scholar for success in college and the world beyond.

The Academy's culture is founded on the core PRIDE values as follows:

- Perseverance,
- Respect,
- Integrity,
- Discipline and
- Enthusiasm

Scholars, families and staff are expected to live and implement these in their daily work. Supported by the unyielding commitment to the belief that all children can achieve, the Academy believes its students are really scholars who will one day graduate from college.

Funding is provided through state and local per-pupil funding, as well as federal grants, some of which are provided by the Rhode Island Department of Education. The Academy also receives contributions from various foundations and the local community.

In June 2018, the Academy acquired the membership interest in School Holdings I, LLC (SHI) from a related party, Rhode Island Mayoral Academies, for a purchase price of \$350,000. The Academy is the sole member of SHI, a Rhode Island single member limited liability corporation established to hold real estate and secure financing for the Academy.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Academy and SHI (collectively, the Organization) is presented to assist the reader in understanding the consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**



***Principles of Consolidation***

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

***Basis of Presentation***

The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. In accordance with authoritative guidance, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Organization did not have any temporarily or permanently restricted net assets as of and for the year ended June 30, 2018.

***Grants and Contracts Receivable***

The Academy carries its grants and contracts receivables at net realizable value. On a periodic basis, the Academy evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

A receivable is considered past due if the Organization has not received payment within the stated terms. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to allowance for doubtful accounts. In the opinion of management, no allowance for doubtful accounts is necessary at June 30, 2018.

***Prepaid Rent***

Under the terms of the Academy's lease of the 291 Broad Street facility (Note 7), the Academy paid a one-time charge of \$350,000, considered additional rent, in connection with renovations and improvements. The additional rent charge to the Academy is recognized over the lease term and is considered prepaid rent. For the year ended June 30, 2018, additional rent expense of \$23,333 was recognized by the Academy, which was eliminated in consolidation.

***Property and Equipment***

Property and equipment purchased is recorded at cost. It is the policy of the Organization to capitalize assets with costs or fair values greater than \$2,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

Computers and software	3-7 years
Furniture and equipment	3-7 years
Buildings improvements	3-10 years
Building	20-39 years

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended June 30, 2018**

***Security Deposits***

Security deposits represent refundable deposits on certain properties leased by the Academy.

***Revenue Recognition***

***Federal Financial Assistance***

The Academy recognizes revenue from federal and state cost reimbursement grants as expenditures are incurred.

***State Charter School Aid***

State charter school aid represents state funding based on the demographics and census information of the participating municipalities. Revenue is recognized in the period in which the related education is performed.

***Municipal Aid***

Municipal aid represents the local portion of per pupil funding from the communities in which the Academy's students reside. Revenue is recognized in the period in which the related educational instruction is performed.

***Medicaid Reimbursement and Other Contract Revenue and Reimbursements***

The Academy recognizes revenue from Medicaid reimbursements and from other contract revenue and reimbursements when services have been rendered and/or any contractual obligations have been met.

***Contributions***

Contributions represent unconditional support from private foundations and individuals. The Organization recognizes revenue from contributions in the fiscal year in which the contribution is received or receivable. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. However, it is the policy of the Organization to show temporarily restricted net assets that are both received and expended in the current year directly in unrestricted net assets.

***Donated Services and In-kind Contributions***

Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Volunteers also provided a variety of program services throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria under generally accepted accounting principles were not met.

***Rental Revenue***

SHI recognizes rental revenue as it is earned

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended June 30, 2018**

***Advertising***

The Academy follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended June 30, 2018 was \$8,019.

***Allocation of Expenses***

Certain costs of the Organization benefit both program and supporting services. Accordingly, these costs have been allocated in a systematic and rational manner among the functional categories benefited.

***Income Taxes***

The Academy is a not-for-profit charitable organization exempt from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Academy operates in a manner consistent with its tax exempt status at both the federal and state level. The Academy annually files IRS Form 990 - Return of Organization Exempt from Income Tax reporting various information that the IRS uses to monitor the activities of tax exempt entities.

For federal income tax purposes, SHI is a disregarded entity and the results of its operations are reported in the Form 990 of the Academy, its sole member. For Rhode Island corporate income tax purposes, SHI files a corporate income tax return and is subject to the annual Rhode Island minimum corporate franchise tax.

These tax returns are subject to review by the taxing authorities, generally for three years after they were filed. There are no tax examinations in progress for either entity.

***Estimates and Assumptions***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from these estimates.

***Recent Accounting Pronouncements***

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**



Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending June 30, 2021, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Consolidated financial statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in the consolidated financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption, net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted and will be applied retrospectively to all periods presented upon adoption. The Organization is currently in the process of evaluating the impact of adoption on the consolidated financial statements.

***Subsequent Events***

Management has evaluated subsequent events through November 26, 2018, which is the date these consolidated financial statements were available to be issued.

**3. Property and Equipment**

The components of the Organization's property and equipment at year-end are as follows:

Buildings	\$ 5,691,994
Building improvements	1,020,490
Software	48,325
Furniture and equipment	680,913
Computers	395,307
Construction in progress	<u>202,883</u>
 Total property and equipment	 <u><u>\$ 8,039,912</u></u>

During the year-ending June 30, 2018, the Academy disposed of fully-depreciated building improvements, software, computers, furniture and equipment totaling \$810,386.

Construction in progress at June 30, 2018, consists of building improvements. The estimated costs to complete the project as of June 30, 2018 is approximately \$150,000.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**



**4. Forgivable Loan and Line of Credits**

On July 30, 2013, the Academy entered into a loan agreement to receive \$1,000,000 in funding through 2018 from a non-profit funding institution for the purposes of supporting the future growth of the Academy. The conditions of the agreement require the Academy to meet specific milestones and, provided the milestones are met, the loan will be forgiven and deemed a charitable grant. If the milestones are not met, the Academy will be required to repay the loan and all applicable interest at an annual rate of 1%. During the year ended June 30, 2014, the Academy received \$500,000 and successfully met the required milestones for the non-profit funding institution to forgive the full amount received.

During the year ended June 30, 2017, the Academy received the remaining \$500,000, of which \$250,000 was recognized as revenue, as the Academy successfully met the specific milestones needed to have \$250,000 of the balance forgiven. The remaining \$250,000 is contingent upon specific milestones noted in the signed agreement that must be achieved on and if the milestones are not met then the entire remaining unpaid principal balance and accrued interest will be due on November 15, 2019.

The agreement also included a line of credit with maximum borrowings of \$200,000, which was closed in conjunction with the Academy opening a new revolving line of credit with a financial institution in February 2018.

On February 26, 2018, the Academy entered into a revolving line-of-credit agreement with a local financial institution with maximum borrowings of \$500,000. Interest is accrued at the Prime Rate (5.00% at June 30, 2018) plus .5% per annum. The line of credit is secured by all of the Academy's assets. The line of credit agreement also contain restrictive covenants. At year end, there was no outstanding balance on the line of credit and management believes that the Academy was in compliance with all of the covenant requirements.

**5. Long-term Debt**

The Organization's long-term debt consists of the following:

Mortgage payable to a bank, due in monthly installments of \$23,041, including interest at a rate of 5%. The mortgage is secured by real estate located in Cumberland, RI. A final balloon payment of the unpaid principal balance and accrued interest is due January 1, 2021. \$ 3,337,484

Mortgage payable to a bank, due in monthly installments of \$4,938, including interest at a rate of 4.42%, based on a 25-year amortization schedule. The mortgage is secured by all real and personal property of SHI and the Academy. A final balloon payment of the unpaid principal balance and accrued interest is due January 1, 2021. 791,747

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**



Note payable to a non-profit funding institution that was used for purposes of supporting future growth of the Academy with \$200,000 installment due June 30, 2020, with remaining principal and accrued interest due in full on June 30, 2021. Interest is accrued at an annual rate of 1%. At June 30, 2018, the Organization has accrued approximately \$15,000 in interest. 400,000

Note payable to a non-profit funding institution that was used for purposes of acquiring Membership Interests of SHI with the entire principal balance and accrued interest due in full on December 31, 2021. Interest is accrued at an annual rate of 2.75%. At June 30, 2018, the Organization has accrued approximately \$500 in interest. 350,000

Total long-term debt 4,879,231

Less current portion of long-term debt 147,035

Long-term debt, less current portion \$ 4,732,196

Maturities of the Organization’s long-term debt are as follows:

Year Ending

June 30, 2019	\$ 147,035
June 30, 2020	356,670
June 30, 2021	4,025,526
June 30, 2022	<u>350,000</u>

Total \$ 4,879,231

**6. Pension Plans**

The Academy sponsors a defined contribution money purchase retirement plan (the Plan) under section 401(k) of the Internal Revenue Code, which provides for retirement benefits for substantially all employees over the age of 21. Under the Plan, participants may contribute a portion of their compensation within certain limitations. The Academy provides a matching contribution of up to 5% of each participant's compensation. Matching contributions to the Plan were approximately \$447,400 for the year ended June 30, 2018.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**

**7. Commitments and Contingencies**

***Medicare and Medicaid Contingencies***

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs.

***Operating Leases***

The Academy leases a modular building from Triumph Modular, which houses members of the Academy's administration under a non-cancelable operating lease through August 31, 2019. Under the terms of the agreement, the Academy is required to make monthly payments of \$3,750. In connection with this lease, the Academy entered into a plot lease with the same landlord under a non-cancelable operating lease through August 31, 2019. Under the terms of the plot lease agreement, the Academy is required to make monthly payments of \$1,000.

The Academy leases space in Lincoln, Rhode Island for school operations under a non-cancelable operating lease through June 30, 2025. Under the terms of the agreement, the Academy is required to make monthly payments of approximately \$11,800 for the first year, which increase annually by 1.5% through the term of the lease.

The Academy leases space in Cumberland, Rhode Island for school operations under a non-cancelable operating lease through June 30, 2023. Under the terms of the agreement, the Academy is required to make monthly payments of \$10,000 for the first year, which increase annually by an average of 3% through the term of the lease.

The Academy leases space in Cumberland, Rhode Island for school operations under a non-cancelable operating lease through December 31, 2044. Under the terms of the agreement, the Academy is required to make monthly payments of approximately \$54,200 for the first year and then monthly payments increase annually by 3% through the term of the lease.

Under the terms of the agreement, the Academy has the option to purchase the property. If the Academy elects not to exercise this option, the landlord may exercise an option to extend the lease period an additional five years. At this time, it is not determinable whether management will exercise its option. In connection with this lease, the Academy also entered into a five-year sublease for additional parking at the property through July 31, 2019. Under the terms of the sublease, the Academy is required to make monthly payments of \$1,000.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**

The Academy leases space in Central Falls, Rhode Island for school operations under a non-cancelable operating lease through October 31, 2045. Under the terms of the agreement, the Academy is required to make monthly payments of \$31,250 for the first year and then monthly payments increase annually by 3% on each commencement date anniversary. Under the terms of the agreement, the Academy has the option to purchase the property. If the Academy elects not to exercise this option, the landlord may exercise an option to extend the lease period an additional five years. At this time, it is not determinable whether management will exercise its option. In connection with this lease, the Academy also entered into a 10-year sublease for additional parking at the property, which commenced on August 1, 2015. Under the terms of the sublease, the Academy is required to make semi-annual payments of \$2,500.

The Academy leases space in Cumberland, Rhode Island for school operations under a non-cancelable operating lease through October 31, 2045. Under the terms of the agreement, the Academy is required to make monthly payments of \$79,170 for the first year and then monthly payments increase annually by 3% on each commencement date anniversary. Under the terms of the agreement, the Academy has the option to purchase the property. If the Academy elects not to exercise this option, the landlord may exercise an option to extend the lease period an additional five years. At this time, it is not determinable whether management will exercise its option.

The Academy also leases several copiers under non-cancelable operating leases that expire at various dates through 2023.

***Related Party Lease***

The Academy had an agreement with Rhode Island Mayoral Academies (RIMA), a Rhode Island non-profit corporation, which shares common Board Members with the Academy, to rent space at 291 Broad Street in Cumberland, RI through SHI. In June 2018, the Academy acquired the membership interest in SHI from RIMA (Note 1). Before the acquisition, the Academy had made rental payments, for the year ended June 30, 2018, in the amount of approximately \$381,000 to RIMA. The Organization assumed the lease terms that were already in place, in which annual payments of base rent, fees and costs cannot exceed \$415,000.

Total rent paid by the Academy under all operating leases was approximately \$2,486,200 for the year ended June 30, 2018.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**



At June 30, 2018, approximate future minimum lease payments under all operating leases are as follows:

<u>Year Ending</u>	
June 30, 2019	\$ 2,594,000
June 30, 2020	2,641,000
June 30, 2021	2,625,000
June 30, 2022	2,657,000
June 30, 2023	2,711,000
Thereafter	<u>79,252,000</u>
Total approximate future minimum lease payments	<u>\$ 92,480,000</u>

**8. Concentration of Credit Risk and Market Risk**

The Academy is required by accounting principles generally accepted in the United States of America to disclose concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Academy to concentrations of credit and market risks consist principally of cash, revenues and public support and grants and contracts receivable. In addition, the Academy operates mayoral academy charter schools under a five-year renewable charter that expires June 30, 2019. Management does not believe that significant credit risk exists at year-end.

At various times throughout the year, the Academy’s cash balances in its bank accounts are in excess of the amount covered by insurance through the Federal Deposit Insurance Corporation (FDIC). At year-end, management does not believe that significant credit risk exists relative to cash.

During the year ended June 30, 2018, the Academy received approximately 62% and 12% of its total unrestricted revenue from the Rhode Island Department of Education and the Town of Cumberland, respectively.

As of June 30, 2018, 86% of the Academy’s grants and contracts receivable are from three different funding sources. Historically, the Academy has not experienced any significant losses relative to these funding sources and does not believe that significant credit risk exists relative to these receivables.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended June 30, 2018**



**9. Statement of Cash Flows - Non-cash Transactions**

The statement of cash flows for the year ended June 30, 2018 excludes the effects of non-cash investing and financing activities related to the acquisition of SHI (Note 1).

Noncash investing and financing activities

Property and equipment, net	\$ 4,705,660
Long-term debt	(4,129,231)
Prepaid rent liability	(233,335)
Prepaid expenses	<u>6,906</u>
Acquisition of SHI	<u><u>\$ 350,000</u></u>

**RHODE ISLAND MAYORAL ACADEMY  
BLACKSTONE VALLEY**

Reports Required by  
*Government Auditing Standards -  
Title 2 U.S. Code of Federal Regulations  
Part 200, Uniform Administrative  
Requirements, Cost Principles,  
and Audit Requirement for Federal Awards*

Year Ended June 30, 2018

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2018



Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Award Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Title I Grants to Local Education Agencies <i>Passed through the State of Rhode Island Department of Education</i>	84.010A	S010A160039	\$ 849,803
Special Education - Grants to States, Education <i>Passed through the State of Rhode Island Department of Education</i>	84.027A	H027A160164	426,557
English Language Acquisition State Grants <i>Passed through the State of Rhode Island Department of Education</i>	84.365A	S365A160039	23,616
Improving Teacher Quality State Grants <i>Passed through the State of Rhode Island Department of Education</i>	84.367A	S367A160037	140,250
Charter Schools <i>Direct Federal Funding</i>	84.282M	U282M140020	<u>483,612</u>
Total U.S. Department of Education			<u>1,923,838</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,923,838</u></b>

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2018**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Rhode Island Mayoral Academy Blackstone Valley (the Academy) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, change in net assets, or cash flows of the Academy.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR, Part 230, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented when available.

**3. Indirect Cost Rate**

The Academy has a federally approved negotiated indirect cost rate agreement and therefore, is not subject to the 10-percent de minimis indirect cost rate under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Rhode Island Mayoral Academy Blackstone Valley:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Rhode Island Mayoral Academy Blackstone Valley (the Academy) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2018.

**Internal Control over Financial Reporting**

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

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

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*Kahn, Litwin, Rengya & Co., Ltd.*

November 26, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Rhode Island Mayoral Academy Blackstone Valley:

**Report on Compliance for Each Major Federal Program**

We have audited Rhode Island Mayoral Academy Blackstone Valley (the Academy) compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2018. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE, (Continued)**

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

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

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Kahn, Litwin, Renya & Co., Ltd.*

November 26, 2018

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**



**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors' report issued:

*unmodified*

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

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

*unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200.561(a)?

\_\_\_\_\_ Yes        X   No

Identification of major programs:

*CFDA Number*  
84.027A

*Name of Federal Programs*  
Special Education Grants to States,  
Education

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

CURRENT YEAR FINDINGS: None noted.

PRIOR YEAR FINDINGS: None noted.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

CURRENT YEAR FINDINGS: None noted.

PRIOR YEAR FINDINGS: None noted.

**SUPPLEMENTARY INFORMATION**

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY**  
**SCHEDULE OF FUNCTIONAL EXPENSES (UNAUDITED)**  
**Year Ended June 30, 2018**



	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Salaries and fringe benefits	\$ 14,254,699	\$ 1,910,132	\$ 16,164,831
Professional service fees	1,512	118,527	120,039
Education supplies and expenses	1,973,809	235,064	2,208,873
Travel expenses	21,893	18,955	40,848
Facility expenses	3,178,284	117,029	3,295,313
Utilities	348,679	12,421	361,100
Office supplies and expenses	2,234,815	701,331	2,936,146
	<u>22,013,691</u>	<u>3,113,459</u>	<u>25,127,150</u>
Depreciation	-	372,422	372,422
<b>Total Expenses</b>	<b><u>\$ 22,013,691</u></b>	<b><u>\$ 3,485,881</u></b>	<b><u>\$ 25,499,572</u></b>

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**



**June 30, 2018**

**(With Comparative Totals at June 30, 2017)**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current Assets:		
Cash	\$ 4,069,336	\$ 4,024,947
Grants and contracts receivable	3,228,782	1,170,939
Current portion of prepaid rent	23,333	23,333
Prepaid expenses	242,828	233,994
<b>Total current assets</b>	<b>7,564,279</b>	<b>5,453,213</b>
Property and Equipment	2,147,776	2,509,915
Less accumulated depreciation	1,394,367	1,832,329
<b>Property and equipment, net</b>	<b>753,409</b>	<b>677,586</b>
Other Assets:		
Prepaid rent, less current portion	210,002	233,335
Investment in SHI	343,094	-
Security deposits	918,532	918,138
<b>Total other assets</b>	<b>1,471,628</b>	<b>1,151,473</b>
<b>Total Assets</b>	<b>\$ 9,789,316</b>	<b>\$ 7,282,272</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 457,793	\$ 385,415
Accrued expenses and other current liabilities	1,180,431	781,354
<b>Total current liabilities</b>	<b>1,638,224</b>	<b>1,166,769</b>
Forgivable Loan	250,000	250,000
Long-term Debt	750,000	400,000
Long-term Accrued Interest	15,500	11,500
<b>Total liabilities</b>	<b>2,653,724</b>	<b>1,828,269</b>
Net Assets:		
Temporarily restricted	-	196,558
Unrestricted:		
Undesignated	7,135,592	5,257,445
<b>Total net assets</b>	<b>7,135,592</b>	<b>5,454,003</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,789,316</b>	<b>\$ 7,282,272</b>

See accompanying independent auditors' report.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY**  
**STATEMENT OF ACTIVITIES (UNAUDITED)**  
**Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>	<b>2017</b>
Change in Unrestricted Net Assets:		
Revenues and public support:		
Federal financial assistance	\$ 2,046,745	\$ 1,505,914
State charter school aid	15,291,289	13,461,362
Municipal aid	9,167,716	7,103,803
Medicaid reimbursement	334,385	250,308
Other contract revenue and reimbursements	8,189	80,767
Contributions	301,107	547,272
Miscellaneous income	31,730	42,403
Net assets released from restrictions	196,558	119,355
<b>Total revenues and public support</b>	<b>27,377,719</b>	<b>23,111,184</b>
Expenses:		
Program services	22,013,691	18,777,518
Management and general	3,485,881	2,903,388
<b>Total expenses</b>	<b>25,499,572</b>	<b>21,680,906</b>
<b>Change in unrestricted net assets</b>	<b>1,878,147</b>	<b>1,430,278</b>
Change in Temporarily Restricted Net Assets:		
Contributions	-	232,000
Net assets released from restrictions	(196,558)	(119,355)
<b>Change in temporarily restricted net assets</b>	<b>(196,558)</b>	<b>112,645</b>
<b>Change in Total Net Assets</b>	<b>1,681,589</b>	<b>1,542,923</b>
<b>Net Assets, beginning of year</b>	<b>5,454,003</b>	<b>3,911,080</b>
<b>Net Assets, end of year</b>	<b>\$ 7,135,592</b>	<b>\$ 5,454,003</b>