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

**Consolidated Financial Statements
and Supplementary Information**

Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2020

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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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2019 consolidated financial statements, and in our report dated January 10, 2020, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **October XX, 2020**, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

October XX, 2020

**RHODE ISLAND MAYORAL ACADEMY
BLACKSTONE VALLEY AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020
(With Comparative Totals at June 30, 2019)**

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	2020	2019
Assets		
Current Assets:		
Cash	\$ 10,115,966	\$ 6,112,477
Grants and contracts receivable	2,006,283	1,211,591
Prepaid expenses	408,103	98,451
Total current assets	12,530,352	7,422,519
Property and Equipment	26,292,049	23,315,374
Less accumulated depreciation	2,720,432	2,013,900
Property and equipment, net	23,571,617	21,301,474
Other Assets:		
Security deposits	555,543	479,855
Total Assets	\$ 36,657,512	\$ 29,203,848
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 609,027	\$ 282,493
Accrued expenses and other current liabilities	1,560,446	1,339,348
Current portion of long-term debt	4,376,946	627,253
Deferred revenue	660,508	10,000
Total current liabilities	7,206,927	2,259,094
PPP Loan	4,184,300	-
Long-term Debt, less current portion and unamortized debt issuance costs	18,266,647	19,791,710
Long-term Accrued Interest	48,170	29,311
Total liabilities	29,706,044	22,080,115
Net Assets:		
Without donor restrictions	6,937,835	7,123,733
With donor restrictions	13,633	-
Total net assets	6,951,468	7,123,733
Total Liabilities and Net Assets	\$ 36,657,512	\$ 29,203,848

**RHODE ISLAND MAYORAL ACADEMY
BLACKSTONE VALLEY AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES**

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Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Change in Net Assets Without Donor Restrictions:		
Revenues and public support:		
Federal and state financial assistance	\$ 2,741,531	\$ 2,003,730
State charter school aid	18,990,428	16,949,496
Municipal aid	9,766,973	9,217,030
Medicaid reimbursement	422,925	386,304
Other contract revenue and reimbursements	7,731	148,423
Contributions	212,705	365,494
In-kind contributions	23,450	75,000
Miscellaneous income	37,694	19,008
Total revenues and public support	32,203,437	29,164,485
Expenses:		
Program services	28,313,870	26,272,515
Management and general	4,075,465	2,903,829
Total expenses	32,389,335	29,176,344
Change in net assets without donor restrictions	(185,898)	(11,859)
Change in Net Assets With Donor Restrictions:		
Contributions	13,633	-
Change in net assets with donor restrictions	13,633	-
Change in Total Net Assets	(172,265)	(11,859)
Net Assets, beginning of year	7,123,733	7,135,592
Net Assets, end of year	\$ 6,951,468	\$ 7,123,733

**RHODE ISLAND MAYORAL ACADEMY
BLACKSTONE VALLEY AND AFFILIATE
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

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	<u>Program</u>	<u>Management and General</u>	<u>2020</u>	<u>2019</u>
Salaries and fringe benefits	\$ 18,518,542	\$ 1,890,588	\$ 20,409,130	\$ 18,731,716
Food service expenses	838,513	-	838,513	-
Professional service fees	-	173,144	173,144	110,861
Education supplies and expenses	2,807,286	154,356	2,961,642	2,852,065
Travel expenses	13,109	6,381	19,490	29,976
Facility expenses	2,113,318	60,646	2,173,964	3,070,348
Utilities	330,481	9,681	340,162	435,571
Office supplies and expenses	3,692,621	878,749	4,571,370	3,460,235
	<u>28,313,870</u>	<u>3,173,545</u>	<u>31,487,415</u>	<u>28,690,772</u>
Depreciation	<u>-</u>	<u>901,920</u>	<u>901,920</u>	<u>485,572</u>
Total Expenses	<u>\$ 28,313,870</u>	<u>\$ 4,075,465</u>	<u>\$ 32,389,335</u>	<u>\$ 29,176,344</u>

**RHODE ISLAND MAYORAL ACADEMY
BLACKSTONE VALLEY AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2020**

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(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Change in total net assets	\$ (172,265)	\$ (11,859)
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	901,920	485,572
Amortization	11,496	958
Non-cash long-term accrued interest	18,859	13,811
Non-cash contributions	-	(75,000)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(794,692)	2,017,191
Prepaid expenses	(309,652)	144,377
Security deposits	(75,688)	438,677
Accounts payable	326,534	(175,300)
Accrued expenses and other current liabilities	221,098	162,917
Deferred revenue	650,508	6,000
Net cash provided by operating activities	778,118	3,007,344
Cash Flows from Investing Activities:		
Purchase of property and equipment	(3,172,063)	(16,252,977)
Net cash used by investing activities	(3,172,063)	(16,252,977)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(552,740)	(366,333)
Payment of debt financing costs	-	(344,893)
Proceed from PPP loan	4,184,300	-
Proceeds from note payable	2,765,874	16,000,000
Net cash provided by financing activities	6,397,434	15,288,774
Net Increase in Cash	4,003,489	2,043,141
Cash, beginning of year	6,112,477	4,069,336
Cash, end of year	\$ 10,115,966	\$ 6,112,477
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 982,184	\$ -

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 1,950 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.

The Academy is the sole member of School Holdings I, LLC (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, 2020**

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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 Organization prepares its consolidated financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

At June 30, 2020, the Organization had net assets with donor purpose restrictions of \$13,633 for purpose of Advocacy. The Organization had no net assets with donor restrictions to be held in perpetuity.

Summarized Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by fund classification and without accompanying note disclosures. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America due to the lack of comparative note disclosures.

Accordingly, such information should be read in conjunction with the Organization's financial statements and related notes to the financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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.

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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, 2020.

Prepaid Rent

Under the terms of the Academy's lease of the 291 Broad Street facility (Note 8), 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, 2020, additional rent expense of \$23,334 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
Building improvements	3-10 years
Building	20-39 years

Security Deposits

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

Debt Issuance Costs

The Organization incurred financing costs in connection with securing long-term debt (Note 5). These costs are amortized on a straight-line basis over the term of the long-term debt. Debt issuance costs related to a debt liability are presented on the consolidated statement of financial position as a direct deduction from the carrying amount of that liability and the related amortization is recorded as interest expense.

Revenue Recognition

Federal and State 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 either as without or with donor restrictions depending on the existence and/or nature of any donor imposed restrictions. However, it is the policy of the Organization to show net assets with donor restrictions that are both received and expended in the current year directly in net assets without donor restrictions.

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.

Advertising

The Academy follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended June 30, 2020 was \$7,276.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on a basis of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis.

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2020

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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 a period 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 May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, followed by subsequent accounting pronouncements which either clarified or revised guidance set forth in ASU 2014-09. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. 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.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2020**

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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. 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, 2022, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets other than contributed services. The standard will be effective for the Organization’s year ending June 30, 2023, with early adoption permitted.

Reclassification

Certain June 30, 2019 balances were reclassified to conform to the June 30, 2020 financial statement presentation.

Subsequent Events

Management of the Organization has evaluated subsequent events through **October XX, 2020**, which is the date these consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30, 2020:

Financial assets:

Cash	\$ 10,115,966
Grants and contracts receivable	2,006,283
Financial assets, at year end	12,090,993

Less those unavailable for general expenditure within one year, due to:

Restricted by donor with purpose	13,633
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Financial assets available to meet cash needs for general expenditures within one year	\$ 12,077,360
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RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2020

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The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization is able to draw upon their available line of credit up to \$500,000 as of June 30, 2020.

4. Property and Equipment

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

Buildings	\$ 21,347,101
Building improvements	1,278,768
Software	9,825
Furniture and equipment	488,411
Computers	302,698
Project in progress	<u>2,865,246</u>
 Total property and equipment	 <u><u>\$ 26,292,049</u></u>

During the year-ending June 30, 2020, the Academy disposed of fully-depreciated building improvements, software, computers, furniture and equipment totaling \$195,388.

At year-end, the estimated cost to complete the projects in progress was \$384,800.

5. Debt

Line of Credit

During the year ended June 30, 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 (3.25% at June 30, 2020) plus .5% per annum. The line of credit is secured by all of the Academy’s assets. The line-of-credit agreement also contains 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.

PPP Loan Payable

On April 10, 2020, the Academy received loan proceeds (Loan) of \$4,184,300 under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 outbreak. Proceeds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations, provided the related agreements were effective prior to February 15, 2020.

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
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The Loan is set to mature on April 10, 2022 and bears interest at a rate of 1% per annum, payable monthly. The Loan may be prepaid by the Academy at any time prior to maturity with no prepayment penalties. The commencement date for Loan payments and a potential revised maturity date will be determined upon the ultimate notification of loan forgiveness from the lending institution. The commencement date for Loan payments will be determined upon the ultimate notification of loan forgiveness from the lending institution. The Academy intends to use the entire Loan proceeds in accordance with the Loan terms and to apply for forgiveness from the lender. No assurance is provided that the Academy will obtain forgiveness of the Loan, in whole or in part.

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. \$ 3,202,945

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. 740,712

Note payable to a non-profit funding institution that was used for purposes of supporting future growth of the Academy with \$200,000 installment paid on June 30, 2020, with the remaining principal and accrued interest due in full on June 30, 2022. Interest is accrued at an annual rate of 1%. At June 30, 2020, the Organization has accrued approximately \$23,000 in interest. 200,000

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, 2020, the Organization has accrued approximately \$19,900 in interest. 350,000

Note payable to a non-profit funding institution that was used for purposes of acquiring a school facility due in monthly installments of \$78,757, including interest at a rate of 4.25%, through May 2049. The mortgage is secured by all real and personal property of SHI and the Academy. 15,716,501

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note payable to a non-profit funding institution that was obtained for supporting leasehold improvement and construction costs 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%. The note payable is secured by all real and personal property of the Organization. At June 30, 2020, the Organization as accrued approximately \$5,200 in interest. 310,000

In November 2019, the Organization entered into a promissory note payable with a financial institution that allows principal borrowings up to \$2,790,000. Note proceeds are to be advanced by the bank for certain improvements with certain terms and conditions as stated in the loan agreement. Interest accrues at a fixed rate of 6.25% up through November 1, 2024, at which point the interest rate will be reset at the then 5-year Daily Treasury Yield Curve Rate plus 456 basis points, subject to a minimum interest rate of 6.25% and a maximum interest rate of 8.25%. Maturity on the note is June 1, 2029. The note payable is secured by all real and personal property of the Organization. At year end, June 30, 2020, \$2,455,874 of the maximum borrowings of \$2,790,000 was borrowed. For the year ended June 30, 2020, \$23,591 of interest expense was paid.

Total long-term debt	2,455,874
	22,976,032
Less current portion of long-term debt	4,376,946
Less unamortized debt issuance costs	332,439
Long-term debt, less current portion and unamortized debt issuance costs	\$ 18,266,647

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

<u>Year Ending</u>	
June 30, 2021	\$ 4,376,946
June 30, 2022	1,392,960
June 30, 2023	561,054
June 30, 2024	590,687
June 30, 2025	603,273
Thereafter	15,451,112
Total	\$ 22,976,032

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 \$604,400 for the year ended June 30, 2020.

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, 2021. Under the terms of the agreement, the Academy is required to make monthly payments of \$4,320. 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, 2020. Under the terms of the plot lease agreement, the Academy is required to make monthly payments of approximately \$1,700.

The Academy leases space in Lincoln, Rhode Island for school operations under a non-cancelable operating lease through June 30, 2029. 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 approximately \$12,500 for the first year, which increase annually by an average of 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 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.

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2020**

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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, 2024. Under the terms of the sublease, the Academy is required to make monthly payments of \$1,100.

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

Related Party Lease

The Academy has an agreement with SHI to rent space at 291 Broad Street in Cumberland, RI. The annual payments of base rent, fees and costs cannot exceed \$415,000. For the year ended June 30, 2020, the Academy paid \$335,751 in rent expense to SHI which was eliminated in the consolidated financial statements.

Total rent paid by the Academy under all operating leases was approximately \$1,536,500 for the year ended June 30, 2020.

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2020

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At June 30, 2020, approximate future minimum lease payments under all operating leases are as follows:

<u>Year Ending</u>		
June 30, 2021	\$	1,644,000
June 30, 2022		1,671,000
June 30, 2023		1,703,000
June 30, 2024		1,474,000
June 30, 2025		1,049,000
Thereafter		<u>36,272,000</u>
Total approximate future minimum lease payments		<u>\$ 43,813,000</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, 2024. Management does not believe that significant credit risk exists at year-end.

The Academy maintains its cash balances in several financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. The Academy’s cash balances exceed this limit. Cash balances in excess of \$250,000 are generally uninsured. At year-end, management does not believe that significant credit risk exists relative to cash.

During the year ended June 30, 2020, the Academy received approximately 64% and 10% of its total revenue without donor restrictions from the Rhode Island Department of Education and the Town of Cumberland, respectively.

As of June 30, 2020, 98% of the Academy’s grants and contracts receivable are from four 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.

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SUPPLEMENTARY INFORMATION

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**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, 2020

RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2020

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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	S010A150039	\$ 869,241
Special Education - Grants to States, Education <i>Passed through the State of Rhode Island Department of Education</i>	84.027A	H027A140054	531,277
English Language Acquisition State Grants <i>Passed through the State of Rhode Island Department of Education</i>	84.365A	S365A150039	19,057
Supporting Effective Instruction State Grants <i>Passed through the State of Rhode Island Department of Education</i>	84.367A	S367A160037	143,797
Student Support and Academic Enrichment Program <i>Passed through the State of Rhode Island Department of Education</i>	84.424A	S424A180041	81,571
Charter Schools <i>Direct Federal Funding</i>	84.282M	U282M140020	200,826
Total U.S. Department of Education			1,845,769
Total Expenditures of Federal Awards			\$ 1,845,769

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020**

DRAFT

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, 2020. 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.

There were no awards passed through to subrecipients during the year ended June 30, 2020.

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **October XX, 2020**.

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.

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**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.

October XX, 2020

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, 2020. 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.

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**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, 2020.

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.

October XX, 2020

**RHODE ISLAND MAYORAL ACADEMY BLACKSTONE VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020**

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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
84.010A

Name of Federal Programs
Title I Grants to Local Education Agencies

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, 2020**

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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.