

**CARLOS ROSARIO INTERNATIONAL  
PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

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**Years Ended June 30, 2008 and 2007**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Carlos Rosario International Public Charter School

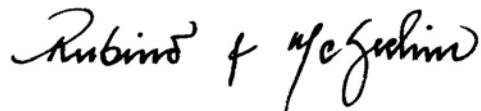
We have audited the accompanying statements of financial position of Carlos Rosario International Public Charter School, (a non-profit organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Carlos Rosario International Public Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, as well as standards applicable to bidding and reporting requirements of the District of Columbia School Reform Act, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carlos Rosario International Public Charter School as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of the Carlos Rosario International Public Charter School'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of functional expenses, average cost per student and contracts over \$25,000, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Rubino & McGehee". The signature is written in a cursive, flowing style.

October 27, 2008  
Bethesda, Maryland

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,872,359	\$ 3,773,051
Grant receivables	18,475	43,475
Due from Community Capital Corporation	103,251	-
Other Receivables	30,318	8,514
Prepaid Expenses	<u>84,398</u>	<u>63,891</u>
Total current assets	4,108,801	3,888,931
Property and equipment, net	7,117,052	7,085,475
Facility reserve funds	<u>2,200,000</u>	<u>2,200,000</u>
Total assets	<u>\$ 13,425,853</u>	<u>\$ 13,174,406</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 140,546	\$ 595,156
Accrued salaries and leave payable	493,421	386,488
Current portion of capital lease obligations	15,660	9,938
Due to Community Capital Corporation	-	69,068
Notes Payable	<u>-</u>	<u>50,950</u>
Total current liabilities	649,627	1,111,600
Deferred rent	1,430,083	1,181,741
Capital lease obligations	<u>46,840</u>	<u>20,099</u>
Total liabilities	<u>2,126,550</u>	<u>2,313,440</u>
Net assets		
Unrestricted	11,299,303	10,814,205
Temporarily Restricted	<u>-</u>	<u>46,761</u>
Total net assets	<u>11,299,303</u>	<u>10,860,966</u>
Total liabilities and net assets	<u>\$ 13,425,853</u>	<u>\$ 13,174,406</u>

The accompanying notes are an integral part of these financial statements.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets		
Revenue and support		
Charter grant income	\$ 12,114,457	\$ 10,565,388
Grants and contributions	88,085	724,717
Culinary arts sales	177,022	149,685
Student fees and other income	254,924	277,356
Bookstore sales, net of cost of goods sold of \$12,882	-	5,487
Investment income	<u>244,613</u>	<u>330,085</u>
Total revenue and support	12,879,101	12,052,718
Net assets released from restrictions	<u>46,671</u>	<u>54,882</u>
Total revenue, support and other increases	<u>12,925,772</u>	<u>12,107,600</u>
Expenses		
Program services	10,864,433	9,184,751
General and administrative	1,576,331	1,731,312
Fundraising	<u>-</u>	<u>12,770</u>
Total expenses	<u>12,440,764</u>	<u>10,928,833</u>
Increase in unrestricted net assets	<u>485,008</u>	<u>1,178,767</u>
Changes in temporarily restricted net assets		
Contributions	-	3,333
Net assets released from restrictions	<u>(46,671)</u>	<u>(54,882)</u>
Decrease in temporarily restricted net assets	<u>(46,671)</u>	<u>(51,549)</u>
Change in net assets	438,337	1,127,218
Net assets, beginning of year	<u>10,860,966</u>	<u>9,733,748</u>
Net assets, end of year	<u>\$ 11,299,303</u>	<u>\$ 10,860,966</u>

The accompanying notes are an integral part of these financial statements.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ 438,337	\$ 1,127,218
Reconciling adjustments		
Depreciation and amortization	876,639	715,105
Changes in operating assets and liabilities		
Grant receivables	25,000	135,792
Other receivables	(21,804)	(2,976)
Prepaid expenses and other	(20,507)	6,189
Accounts payable	(454,610)	264,984
Accrued salaries and leave payable	106,933	65,448
Due from (to) Community Capital Corporation	(172,319)	(136,801)
Deferred revenue	-	(34,656)
Deferred rent	<u>248,342</u>	<u>344,086</u>
Net cash provided by operating activities	<u>1,026,011</u>	<u>2,484,389</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(863,389)</u>	<u>(1,528,429)</u>
Cash flows from financing activities		
Repayments on capital lease obligations	(12,364)	(28,534)
Payments on notes payable	<u>(50,950)</u>	<u>(164,915)</u>
Net cash used by financing activities	<u>(63,314)</u>	<u>(193,449)</u>
Net increase in cash and cash equivalents	99,308	762,511
Cash and cash equivalents, beginning of year	<u>3,773,051</u>	<u>3,010,540</u>
Cash and cash equivalents, end of year	<u>\$ 3,872,359</u>	<u>\$ 3,773,051</u>
<u>Supplemental disclosures:</u>		
Interest paid	<u>\$ 6,681</u>	<u>\$ 11,958</u>
Property financed through lease obligations	<u>\$ 52,931</u>	<u>\$ 19,562</u>
Property financed through accounts payable	<u>\$ -</u>	<u>\$ 236,118</u>

The accompanying notes are an integral part of these financial statements.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**1. Organization**

The Carlos Rosario International Public Charter School (the "School") was organized in September 1997 under the District of Columbia School Reform Act of 1995. The petition to establish the School was prepared by the Carlos Rosario International Career Center (the "Career Center"). Both the School and the Career Center operated as separated tax-exempt organizations until May 8, 2008, at which time in connection with an agreement of merger, the Career Center was dissolved, and its net assets were contributed to the School, the surviving entity. The approval to amend the School's Charter and to expand the programs to include 200 additional students, and the Career Center's culinary arts, computer support, family literacy and advanced ESL classes was granted by the DC Public Charter School Board (DCPSB) in August 2006.

The School's mission is to provide educational opportunities to the immigrant population in the District of Columbia, to combat the cycle of educational failure and limited opportunity, and to prepare these individuals to become citizens and invested members of the American society.

The School offers classes to adults in subjects including English, U.S. Citizenship, GED preparation, computer literacy, supportive services, culinary arts, and family literacy. Classes commenced in September 1998. The School's enrollment for the school year 2008 was approximately 1,250 full-time equivalent students.

**2. Summary of Significant Accounting Policies**

Merger of the School and the Career Center

As noted above, the School and Career Center merged effective May 8, 2008. The transaction is reported for financial statement purposes as a pooling of interest, whereby the assets and liabilities of the two entities have been combined as of the beginning of fiscal year 2007. No adjustment to the prior year financial statements was necessary; however, those statements are not referred to herein as consolidated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**2. Summary of Significant Accounting Policies (continued)**

Tax Status

Under the provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, the School is exempt from taxes on income other than unrelated business income. No provision for income taxes is required for either 2008 or 2007.

Support and Funding

The School receives funding from the District of Columbia in the form of per-pupil educational and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually.

Contributions and Net Assets

Contributions and unconditional promises to give are recorded as support, at fair value, when received. Contributions and unconditional promises to give that are restricted by the donor as to time or purpose, are reported as an increase in temporarily restricted net assets. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets at June 30, 2007, were available for the Family Literacy program. There were no temporarily restricted net assets at June 30, 2008.

Grant Revenue and Support

Revenue and support from government contracts and grants that provide for cost reimbursement is recognized when the related direct and allocated indirect expenses are incurred, deliverables are met, or per-diem services are provided. Revenue recognized in excess of cash received is reported as grants receivable. Cash received in excess of revenue recognized is reported as deferred revenue.

Cash and Cash Concentration

The School maintains cash balances at various financial institutions, which, at times, may exceed Federally insured limits. The School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**2. Summary of Significant Accounting Policies (continued)**

Facility Reserve Funds

The Facility Reserve Funds are segregated cash that the School is required to maintain under a guarantee agreement of a related party obligation (see Note 4).

Pledges and Grants Receivable

Pledges and grants receivable are stated at fair value, net of any applicable discounts. An allowance for bad debt is recorded for any uncollectible amounts in the period such a determination is made.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property is recorded at fair market value. Maintenance and repairs are expensed as incurred. Significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to twenty years. The statements of financial position also reflect assets obtained under capital lease agreements. Amortization for capital leased assets is calculated as depreciable equipment. The amortization of leasehold improvements is done over the shorter of the lease term or the estimated useful life of the improvements.

Functional Allocation of Expenses

The costs of providing the programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and administrative services based on the functions they directly benefit or upon management's estimates of the proportion of the expenses applicable to each function.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**3. Property and Equipment**

The following summarizes property and equipment by major asset categories:

	<u>2008</u>	<u>2007</u>
Computers and software	\$ 1,873,372	\$ 1,488,832
Furniture and fixtures	397,121	366,337
Equipment	1,068,333	950,233
Capital leased equipment	145,948	123,380
Vehicles	138,801	114,948
Construction in progress	-	1,530
Leasehold improvements	<u>6,627,894</u>	<u>6,320,260</u>
	10,251,469	9,365,520
Less: accumulated depreciation and amortization	<u>(3,134,417)</u>	<u>(2,280,045)</u>
Property and equipment, net	<u>\$ 7,117,052</u>	<u>\$ 7,085,475</u>

The School has capitalized costs for leasehold improvements at the Harvard Street location. The capitalized balance as of June 30, 2008 and 2007, was \$6,627,894 and \$6,320,260, respectively, and is being amortized as discussed in Note 2. See Notes 4 and 5 for further information regarding the related lease.

Total depreciation expense for the years ended June 30, 2008 and 2007, was \$876,639 and \$711,663, respectively. Excluded in this total is the depreciation expense allocated to Community Capital Corporation (CCC) of \$2,616 in 2007. See Note 4 regarding shared costs.

Property and equipment additions, included in accounts payable for the year ended June 30, 2007, totaled \$236,118.

**4. Related Party Transactions**

Community Capital Corporation

In 2002, CCC was formed as a 501(c)(3) non-profit organization, whose purpose is to assist other non-profit organizations secure facilities in which to operate. CCC has a long-term prime lease agreement with the District of Columbia to lease a property that required substantial building improvements. The School in turn entered into a long-term sublease agreement with CCC for office and classroom space in this property.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**4. Related Party Transactions (continued)**

The costs of the building improvements were financed by the issuance of tax exempt bonds. The financing agreement supporting the bonds required the School to guarantee CCC's financial obligations to the lending institution. These guarantees cover assets and contracts. The outstanding balance of the bonds as of June 30, 2008 and 2007, was approximately \$7,725,000 and \$8,400,000, respectively. The agreement also requires the School to maintain \$2,200,000 of segregated funds, shown as facility reserve funds in the accompanying statement of financial position.

In 2004, as discussed in Note 5, the School and Career Center moved into the new space and started paying rent to CCC under a sub-lease agreement. Cash payments to CCC totaled \$2,082,458 and \$1,987,839 in 2008 and 2007, respectively. Under this agreement with CCC, the Career Center agreed to pay for approximately \$1,800,000 of leasehold improvements required for its leased office and classroom. CCC paid for these improvements, and the Career Center was reimbursing CCC. This balance was paid in full in 2008. The balance owed to CCC related to leasehold improvements as of June 30, 2007, totaled \$69,068.

CCC shares personnel, administrative and equipment costs with the School. Salary and benefits expense is allocated based on salary allocations. The School also processes other payments for shared expenses. CCC reimburses the School for its portion of shared costs. The balance owed from CCC related to these expenses as of June 30, 2008, totaled \$103,251.

Consolidation

Management has applied the principles of Statement of Position No. 94-3 Reporting of Related Entities by Not-for-Profit Organizations in assessing the need to consolidate the financial statements of the School with those of CCC. Under Statement of Position No. 94-3, consolidation should occur if both an economic interest between the organizations and control by a majority of common board members exist. Based on the criteria stipulated in the pronouncement, management has determined that financial statement consolidation with CCC is not appropriate for the fiscal years ended June 30, 2008 and 2007.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**5. Commitments**

Capital Leases

The School has entered into lease agreements to finance certain equipment over periods ranging from 36 to 60 months. The lease agreements have been classified as capital leases which are generally accounted for as additions to property and equipment using lease financing.

The following is a schedule of future minimum lease payments and interest as of June 30, 2008:

Year ending June 30, 2009	\$	21,642
2010		21,672
2011		17,364
2012		10,262
2013		<u>5,520</u>
Total minimum lease payments		76,460
Less: amount representing interest		<u>(13,960)</u>
Present value of minimum lease payments		62,500
Current portion of the obligation		<u>(15,660)</u>
Non-current portion of the obligation		\$ <u>46,840</u>

Interest expense for the years ended June 30, 2008 and 2007, was \$4,064 and \$2,407, respectively.

Operating Leases

As described in Note 4, the School entered into a long-term sub-lease agreement for classroom and office space with CCC which expires in 2021. This lease calls for monthly rent with annual increases until the expiration of the lease. The total lease payments are recorded as rent expense on a straight line basis over the lease period resulting in a deferred rent liability. The deferred rent balance at June 30, 2008 and 2007, totaled \$1,430,083 and \$1,181,741, respectively. Rent expense for years ended June 30, 2008 and 2007, was \$2,350,636 and \$2,368,165, respectively.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**5. Commitments (continued)**

Future minimum lease payments are as follows:

Year ending June 30, 2008	\$ 2,157,000
2009	2,211,000
2010	2,266,000
2011	2,323,000
2012	2,381,000
2013 and thereafter	<u>21,566,000</u>
Total	\$ <u>32,904,000</u>

The School subleases space under an agreement which expires in 2011. These sublease calls for monthly rent with annual increases until the expiration of the lease. Sublease rental income for the years ended June 30, 2008 and 2007, was \$182,877 and \$178,514, respectively. Future minimum sublease receipts are as follows:

Year ending June 30, 2008	\$ 187,600
2009	192,200
2010	<u>16,100</u>
Total	\$ <u>395,900</u>

Notes Payable

The Career Center had two notes payable outstanding to Non-Profit Finance Fund. The loans of \$450,000 and \$250,000 were made on February 27, 2004, based on outstanding pledged receivables at that time. The notes carried annual fixed interest rates of 5.25%. During 2008, the \$250,000 note matured and was paid in full. During 2007, the \$450,000 note matured and was paid in full.

Lines of Credit

Both the School and Career Center maintain unsecured lines of credit with a bank for a maximum amount of \$50,000 and \$10,000, respectively. The interest rates on the lines at June 30, 2008, were 10.25% and 11.25%, respectively. No amounts were outstanding at June 30, 2008 and 2007.

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

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**6. Retirement Plan**

The School sponsors a 403(b) Plan for all full-time employees that have completed six months of eligible service. Under the plan, the School contributes 5% of an eligible employee's base compensation. Total pension expense for the years ended June 30, 2008 and 2007, totaled \$183,263 and \$159,845, respectively.

**7. Donated Services**

In 2008 and 2007, the School received pro-bono legal services valued at \$8,507 and \$1,517, respectively. These amounts are reflected as revenue and expense in the accompanying statements. In 2008, the school, also received donated computers with a fair value of \$15,740.

## **SUPPLEMENTAL INFORMATION**

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2008**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 5,337,184	\$ 797,510	\$ 6,134,694
Payroll taxes	413,882	61,844	475,726
Consulting service	70,145	4,846	74,991
Accounting and legal	76,757	22,817	99,574
Depreciation	762,676	113,963	876,639
Rent	2,045,053	305,583	2,350,636
Professional development	46,345	6,891	53,236
Dues and membership fees	94,431	13,527	107,958
Seminars	12,974	1,367	14,341
Insurance	537,566	80,326	617,892
Advertising	53,948	8,061	62,009
Office supplies	100,957	15,086	116,043
Printing and postage	25,485	3,808	29,293
Telephone expense	67,181	10,038	77,219
Travel expense	83,913	30,019	113,932
Interest expense	5,812	869	6,681
Storage expense	15,751	2,354	18,105
Security	402,823	60,192	463,015
Miscellaneous expense	39,816	5,950	45,766
Equipment cost	180,915	31,280	212,195
Teaching supplies	156,066	-	156,066
Student activities and services	166,069	-	166,069
Educational material and supplies	6,855	-	6,855
Culinary supplies	158,046	-	158,046
Scholarships for students	3,783	-	3,783
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenses	<u>\$ 10,864,433</u>	<u>\$ 1,576,331</u>	<u>\$ 12,440,764</u>

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF AVERAGE COST PER STUDENT  
Year Ended June 30, 2008**

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Average Cost Per Student

Total expenses for the year	\$ 12,440,764
Full-time equivalent students	<u>1,250</u>
Average cost per full-time equivalent student	<u>\$ 9,953</u>

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL  
SUPPLEMENTAL SCHEDULE OF CONTRACTS OVER \$25,000  
Year Ended June 30, 2008**

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<u>Contractor</u>	<u>Contract Value/Purpose</u>
CDW Government Inc.	\$25,003 - LCD projectors
MSPX	\$30,005 - Wireless network infrastructure
Centennial One of Washington, Inc.	\$476,658 - Security agreement
American Restoration	\$37,253 - Masonry and concrete repairs
GPS Investment (SOGI)	\$41,557.14 - Security service agreement
Bedco Mobility Inc	\$43,605 - Stair lift purchase and installation
Easy Network	\$53,720 - Audio/video purchase agreement
Multicultural Community Service	\$54,235 - Interpretation service agreement
Access Smart	\$78,750- Computer access security
DC Demolition Environmental Service	\$81,452.76 - Construction services
CTN Associates	\$94,594 - Security screen installation
Marlet Inc.	\$98,680 - Security device hardware and installation
Sierra Corporation	\$109,818 - Wireless networking services

**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 Trustees  
Carlos Rosario International Public Charter School

We have audited the financial statements of Carlos Rosario International Public Charter School (the School) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

RUBINO & MCGEEHIN,  
CHARTERED

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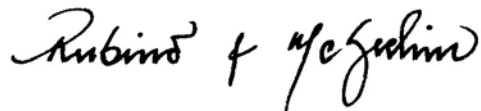
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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*.

This report is intended solely for the information and use of the board of trustees, management, and the District of Columbia Public Charter School Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Rubins & McGehee".

October 27, 2008  
Bethesda, Maryland

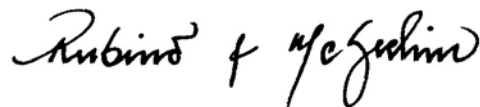
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH THE REQUIREMENTS OF THE DISTRICT OF  
COLUMBIA PUBLIC CHARTER SCHOOL BOARD IN  
ACCORDANCE WITH THE DISTRICT OF  
COLUMBIA SCHOOL REFORM ACT, AS AMENDED**

To The Board of Trustees  
Carlos Rosario International Public Charter School

We have audited the compliance of Carlos Rosario International Public Charter School (the School) with the types of compliance requirements described in the District of Columbia School Reform Act, as amended, that are applicable to its operations as District of Columbia Public Charter School for the year ended June 30, 2008. Compliance with the requirements of laws, regulations and grant agreements, is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the School's operation as a District of Columbia Public Charter School occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects with the requirements referred to above that are applicable to its operations as a District of Columbia Public Charter School for the year ended June 30, 2008.



October 27, 2008  
Bethesda, Maryland

**CARLOS ROSARIO INTERNATIONAL PUBLIC CHARTER SCHOOL**  
**SUMMARY OF AUDIT RESULTS**  
**June 30, 2008**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Carlos Rosario International Public Charter School.
2. No matters relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Carlos Rosario International Public Charter School were disclosed during the audit.
4. The auditors' report on compliance for Carlos Rosario International Public Charter School expresses an unqualified opinion.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – COMPLIANCE AUDIT**

None.

**D. SUMMARY OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN**

C07-01 Procurement

*Finding:* All contracts over the \$25,000 are required to have a procurement file with the appropriate bid requests and approvals by the School's board, submission to the DCPSC Board and approval by the DCPCS Board. During our review of procurement files we noted a vendor contract over \$25,000 that did not have a procurement file with the appropriate documentation.

*Recommendation:* We recommend that for all contracts over \$25,000 the procurement policies be followed. Larger contracts should also be closely monitored, so that proper approvals can be obtained if a contract appears close to reaching the \$25,000 threshold.

*Current Year Status:* The condition appears to have been corrected as no such exception was noted during the 2008 audit. The School appears to have successfully implemented proper procurement procedures. This matter, therefore, is not considered a finding in 2008.