



Kevane

Grant Thornton

Financial Statements and Report of  
Independent Certified Public Accountants

**Escuela Con Causa EPA-RCM, LLC**

(A Wholly-Owned Subsidiary of Caras of the Americas)

June 30, 2022

**Escuela Con Causa EPA-RCM, LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

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## Report of Independent Certified Public Accountants

To the Board of Directors  
**Escuela Con Causa EPA-RCM, LLC:**

### Opinion

We have audited the accompanying financial statements of **Escuela Con Causa EPA-RCM, LLC** (a wholly-owned subsidiary of Caras of the Americas), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Escuela Con Causa EPA-RCM, LLC** as of June 30, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Escuela Con Causa EPA-RCM, LLC** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Escuela Con Causa EPA-RCM, LLC's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### Kevane Grant Thornton LLP

33 Bolivia Street  
Suite 400  
San Juan, Puerto Rico 00917-2013

T + 1 787 754 1915

F + 1 787 751 1284

E [kgt@pr.gt.com](mailto:kgt@pr.gt.com)

[linkedin.com/company/kevane-grant-thornton](https://www.linkedin.com/company/kevane-grant-thornton)  
[facebook.com/kevanegrantthornton](https://www.facebook.com/kevanegrantthornton)

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Escuela Con Causa EPA-RCM, LLC's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Escuela Con Causa EPA-RCM, LLC's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

San Juan, Puerto Rico  
November 21, 2022.



CERTIFIED PUBLIC ACCOUNTANTS  
(OF PUERTO RICO)  
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**Escuela Con Causa EPA-RCM LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

**Statement of Financial Position**  
**June 30, 2022**

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	<b><u>Assets</u></b>	
		<b><u>Without Donor Restrictions</u></b>
<b>Current assets:</b>		
Cash		\$ 294,310
Prepaid expenses		5,063
		<hr/>
Total current assets		299,373
<b>Property and equipment, net</b>		<hr/> 64,668
		<hr/>
Total assets		<u>\$ 364,041</u>
	<b><u>Liabilities and Net Assets</u></b>	
		<b><u>Without Donor Restrictions</u></b>
<b>Current liabilities:</b>		
Accounts payable		\$ 11,823
Accrued vacations and fringe benefits		84,316
Due to Caras of the Americas		57,924
		<hr/>
Total liabilities		<hr/> 154,063
<b>Net assets:</b>		
Without donor restrictions		<hr/> 209,978
		<hr/>
Total net assets		<hr/> 209,978
		<hr/>
Total liabilities and net assets		<u>\$ 364,041</u>

**Escuela Con Causa EPA-RCM LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

**Statement of Activities**  
**For the Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, gains and other support:</b>			
Public support from the Department of Education	\$ 1,219,733	\$ -	\$ 1,219,733
Contributions:			
Foundations	280,055	-	280,055
Nonfinancial assets	172,125	-	172,125
Individuals	9,168	-	9,168
Net assets released from purpose restrictions	50,000	(50,000)	-
	<u>1,731,081</u>	<u>(50,000)</u>	<u>1,681,081</u>
Total revenue, gains and support, net			
<b>Expenses:</b>			
Program services:			
Education	1,746,659	-	1,746,659
	<u>1,746,659</u>	<u>-</u>	<u>1,746,659</u>
Total program expenses			
Support services:			
Management and general	246,587	-	246,587
Fundraising	61,646	-	61,646
	<u>308,233</u>	<u>-</u>	<u>308,233</u>
Total supporting services expenses			
Total expenses	<u>2,054,892</u>	<u>-</u>	<u>2,054,892</u>
Decrease in net assets before non operating revenue	<u>(323,811)</u>	<u>(50,000)</u>	<u>(373,811)</u>
<b>Non operating revenue:</b>			
Loan forgiveness - Paycheck Protection Program	280,000	-	280,000
	<u>280,000</u>	<u>-</u>	<u>280,000</u>
Total non operating revenue			
Change in net assets	(43,811)	(50,000)	(93,811)
Net assets, beginning of year	<u>253,789</u>	<u>50,000</u>	<u>303,789</u>
Net assets, end of year	<u>\$ 209,978</u>	<u>\$ -</u>	<u>\$ 209,978</u>

The accompanying notes are an integral part of this statement.

**Escuela Con Causa EPA-RCM LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

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**Cash flows from operating activities:**

Change in net assets	\$ (93,811)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	28,176
Loan forgiveness	(280,000)
Decrease/(increase) in assets:	
Due from Caras of the Americas	383,112
(Decrease)/increase in liabilities:	
Accrued vacations and fringe benefits	(37,357)
Due to Caras of the Americas	<u>343</u>
Net cash provided by in operating activities	<u>463</u>

**Cash flows from investing activities:**

Acquisition of property and equipment	<u>(52,482)</u>
Net cash used in investing activities	<u>(52,482)</u>

**Net decrease in cash**

(52,019)

**Cash, beginning of year**

346,329

**Cash, end of year**

\$ 294,310

**Supplemental disclosure of non-cash investing and financing activities:**

Loan forgiveness - Paycheck Protection Program	<u>\$ 280,000</u>
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# Escuela Con Causa RPA-RCM LLC

## (A wholly-owned Subsidiary of Caras of the Americas)

### Notes to Financial Statements

#### June 30, 2022

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#### (1) Organization and summary of significant accounting policies:

Escuela con Causa EPA-RCM LLC (“the School”) is a private nonprofit public benefit limited liability corporation incorporated on August 4, 2019, in San Juan, Puerto Rico under the laws of the Commonwealth of Puerto Rico (Commonwealth). The School was created by its parent company, Caras of the Americas (“Caras”), to operate a Grade 6 through Grade 12 public-school Rosalina C. Martinez (“RCM”), a school within the public education system of the Puerto Rico Department of Education (the Department), located in the Amelia community of Guaynabo. RCM is being operated by the School pursuant to the Public Schools Alliance program (known as “Escuelas Publicas Alianzas” in Spanish) established by Act No. 85 of March 29, 2018 (Act No. 85-2018) as amended, known as the Act for the Educational Reform of Puerto Rico. Act No. 85-2018 established this alliance program, which authorized the Secretary of the Department to approve and certify applications from eligible educational institutions, such as the School, to operate selected public schools under the alliance program and to supervise and monitor the operations of such schools by such certified educational institutions, among other duties and responsibilities established within the Act and related Regulations.

The operation and administration of RCM by the School is governed by a contract established with the Department containing a series of compliance requirements, as defined therein. The contract was effective for one year since its signing on August 20, 2019 through July 31, 2020; and renewable annually for up to five years. The contract (Constituent Letter) is effective for five years since its signing on August 20, 2019 through July 31, 2024; however the economic clauses of the contract are effective for one year and renewable annually for up to five years. The economic clauses of the contract are currently renewed through June 2023. The School’s first year of operation was the year ended June 30, 2020. The School’s student population projected under the aforementioned contract would range between 315 students in its first year (fiscal year 2020) and 420 students for its fifth year (fiscal year 2024). At June 30, 2022, the student population at the School was of 307 students.

Regular employees from the Department who receive and accept an employment offer from the School will become employees of the School and the Department will grant them a two-year unpaid license for such employees. The School will guarantee such personnel the same salary scale and marginal benefits that they enjoyed at the Department at the moment of accepting the School’s employment offer. Upon the end of the two-year license period, if the employees choose to stay as employees of the School, such employees will resign from the Department; however, the School will not be able to reduce such employees’ salaries. The School did not hire regular employees from the Department.

The following is a summary of significant accounting policies followed by the School in the preparation of its financial statements:

#### (a) Basis of presentation -

The financial statements of the School are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to not-for-profit entities. In accordance with the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*, the School 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 that are not subject to donor (or certain grantor) imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization’s management and the board of directors. Funds designated by the Board of Directors for specific purposes, if any, are considered unrestricted as the Board may change such designations from time to time. There were no such designations made by the School’s Board of Directors for the year ended June 30, 2022.



# Escuela Con Causa RPA-RCM LLC

(A wholly-owned Subsidiary of Caras of the Americas)

## Notes to Financial Statements

### June 30, 2022

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- **Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those restrictions that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2022, the School had no net assets with donor restrictions.

**(b) Revenue and support -**

The School primarily receives funds from the Department determined based on the School's student population at a budget base rate per student pre-established by the Department. For year ending June 30, 2022, these funds were established at \$1,219,733 which represents a budget base of approximately \$3,900 per student. This School's primary revenue source is also being complemented with private individual and corporate contributions.

Revenue is reported as increases in unrestricted net assets unless the use of the related assets is restricted through donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statement of activities.

Contributions, including unconditional promises to give, are recorded as revenue in the year received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

Gain and losses on investments, if any, and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless the use is restricted by explicit donor stipulation imposed or by law.

The School may receive donated services or in-kind contributions of noncash assets which, if significant, are recognized as contribution revenue if any of the following criteria is met: a) they create or enhance a nonfinancial asset or b) they require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased by the School if they had not been provided by contribution. Donated services and in-kind contributions or donation of noncash assets are measured and recognized at their corresponding fair values. The School recognized contributed nonfinancial assets that included contributed services of approximately \$172,125. Contributed services recognized comprise professional services from special education teachers, school psychologist and a nurse paid by the Department.

The school may also conduct and host special activities and events (concerts, dinner galas, sports tournaments, among others) and rents its facilities, which could provide an ongoing portion of the School's support revenue for its programs. The School would report the revenue of such activities, net of its related costs in the accompanying statement of activities. No such activities were held or hosted by the School during the year ended June 30, 2022.

The School may also use from time to time volunteers or students to help in providing administrative support or in delivering program services. Such contributed services do not meet the criteria for recognition of donated services contained in generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

# Escuela Con Causa RPA-RCM LLC

(A wholly-owned Subsidiary of Caras of the Americas)

## Notes to Financial Statements

### June 30, 2022

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which was applicable to the School effective July 1, 2020 (fiscal year 2021). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. Under this standard, revenue is measured based on a consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties, and is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. As the School does not enter into any contract with its students; hence, does not charge any tuition fees; nor any other enrollment, infrastructure, technology or other fees, this standard had no applicability or effect on the School.

(c) **Functional expenses** -

The costs of educational and supporting activities have been summarized on a functional basis in the statement of activities. Note 5 of the financial statements presents those functional expenses among its natural classification. Salaries and payroll taxes are allocated based on employee's time spent on program or support activities. Expenses other than salaries and payroll taxes which are not directly identifiable by program or support activities, are allocated based on the best estimates of management.

(d) **Cash and cash equivalents** -

Cash is, from time to time, variously composed of cash on hand and cash in banks. The School considers all highly liquid investments with original maturities of three months or less at time of acquisition to be cash equivalents. As of June 30, 2022, there were no cash equivalents.

(e) **Contributions receivable** -

Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are reported as assets with donor restrictions unless explicit donor stipulations surrounding the pledge make clear the donor intended it to be used for activities of the current period. Contributions receivable after one year, if any, are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts, if any, is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is provided, if necessary, based upon management's judgement including such factors as collection history, type of contribution and nature of fund-raising activity.

(f) **Property and equipment** -

Property and equipment with a useful life of more than a year and an acquisition cost of \$2,000 or more will be capitalized and depreciated over its useful life using the straight-line method of depreciation. Capitalized property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Maintenance and repairs are charged to expense, as well as additions, renewals and betterments not exceeding \$2,000. When items of property and equipment are sold or retired, the related cost and accumulated amortization of property and equipment are sold or retired, the related cost and accumulated amortization are removed from the accounts, and any gain or loss is included in income. For the year ended June 30, 2022, additions to property and equipment amounted to \$52,482.

(g) **Income taxes** -

The School is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and under Section 1101 of the Puerto Rico Internal Revenue Code of 2011. However, it is subject to income taxes from activities, if any, unrelated to its tax-exempt purpose. The School is also exempt from property taxes on property devoted to education.

# Escuela Con Causa RPA-RCM LLC

## (A wholly-owned Subsidiary of Caras of the Americas)

### Notes to Financial Statements

#### June 30, 2022

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GAAP provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

(h) **Advertising costs** -

For the year ended June 30, 2022, there were no advertising costs for fundraising activities.

(i) **Use of estimates** -

The preparation of the financial statements requires management of the School to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(j) **Recently issued accounting standards** -

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021 (that is for fiscal year 2023). Although the full impact of this new guidance on the School's financial statements has not yet been determined, the future adoption of this guidance will require the School to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases, as applicable. Management does not expect this ASU to have a significant impact on the School financial statements.

(2) **Related parties transactions:**

The School is a wholly owned subsidiary of Caras, a non-for-profit corporation incorporated under the laws of District of Columbia, and dully registered and authorized to execute its functions and activities in Puerto Rico. Caras' mission is to promote community development to eradicate poverty through education, the environment and economic development together with the communities of Cataño and Guaynabo, Puerto Rico. As mentioned in Note 1, Caras created the School in order to operate the public-school RCM, a school within the public education system of the Puerto Rico Department of Education (the Department), located in the Amelia community of Guaynabo.

Caras has raised contributions through grants and donations from private foundations and individuals, which in turn are contributed to the School. These grants and donations are presented within contributions in the accompanying statement of activities.

In the normal course of operations, Caras may provide from time to time advances or contributions to the School in order to assist the School in the operation of RCM. During the year ended June 30, 2022, Caras made advances of approximately \$150,000 to the School and the School made repayments to Caras of approximately \$150,000. At June 30, 2022, the School has a balance due to Caras of \$57,581, presented separately in the accompanying statement of financial position that includes the aforementioned advances made by Caras.

**Escuela Con Causa RPA-RCM LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

**Notes to Financial Statements**  
**June 30, 2022**

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**(3) Availability and liquidity:**

Financial assets available to meet general expenditures over the next twelve months consist of cash in the amount of \$294,310. The funds received from the Department based on the rate per student pre-established are not sufficient to cover the School's operating needs; therefore, the School depends on raising contributions from individuals and private foundations in order to complement the revenue necessary to meet its operating needs and obligations. There is no assurance that the School will be able to raise beyond the 2022-2023 academic year the private contributions necessary to cover any deficiencies from the Department's annual funding. The School regularly monitors the liquidity required to meet its operating needs and other contractual commitments. For the next twelve (12) months following the date of these financial statements, the School anticipates collecting sufficient revenue to cover general expenditures, meet its operating needs and obligations.

**(4) Property and equipment:**

As of June 30, 2022, property and equipment consisted of:

	<u>Useful Lives (in years)</u>	<u>Amount</u>
Vehicles	1-5	\$ 37,895
Leasehold improvements	1-5	25,740
Equipment	1-5	<u>52,482</u>
Total depreciable assets		116,117
Less: accumulated depreciation		<u>(51,449)</u>
Property and equipment, net		<u>\$ 64,668</u>

*This part is left in blank intentionally*

**Escuela Con Causa RPA-RCM LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

**Notes to Financial Statements**  
**June 30, 2022**

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**(5) Functional expenses:**

The table below presents the School's expenses by both their nature and function for the year ending June 30, 2022:

	<u>Program</u>		<u>Support</u>		<u>Total</u>
	<u>Educational</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>		
Salaries and payroll taxes	\$ 1,419,559	\$ 200,408	\$ 50,102	\$ 1,670,069	
Professional services	197,393	27,867	6,967	232,227	
Equipment and technology	14,648	2,068	517	17,233	
Repairs and maintenance	17,799	2,513	628	20,940	
Supplies	38,724	5,467	1,367	45,558	
Insurance, licenses and permits	8,803	1,243	310	10,356	
Depreciation expense	23,950	3,381	845	28,176	
Dues and subscriptions	11,650	1,645	411	13,706	
Other expenses	14,133	1,995	499	16,627	
	<b>\$ 1,746,659</b>	<b>\$ 246,587</b>	<b>\$ 61,646</b>	<b>\$ 2,054,892</b>	

**(6) Concentration of risk:**

The School maintains its cash balances with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) and other financial institution out of the FDIC jurisdiction. The accounts under FDIC jurisdiction are secured by the FDIC up to \$250,000. Cash deposits in financial institutions insured by FDIC as of June 30, 2022 exceeded the federal insurance limit by approximately \$44,000.

**(7) Commitments and contingencies:**

**(a) Compliance requirements -**

Pursuant to the contract established with the Department for the operation and administration of RCM, the School shall meet certain compliance requirements, as defined therein, some of which include the following:

- The filing of annual operational reports, within sixty (60) days of the end of the school year, validating the compliance with the established school programs, certifications of teachers qualifications, personnel training requirements, community and students participation requirements, the timely filing of all reports required by Act No. 85-2018 and related regulations, the tax exempt status of the School, as applicable, among others.
- Maintaining an inventory identification system, and submitting a related inventory report, of all property and equipment acquired with both the Department's funds and with the School's own internal and privately raised funds.
- Complying with all laws, ordinances, regulations, rules and orders or requirements from the federal, state and municipal governments with respect to the use of public-school properties.

Management understands that the School has complied with the aforementioned requirements or equivalent amended or modified rules mutually agreed upon with the Department.

# Escuela Con Causa RPA-RCM LLC

## (A wholly-owned Subsidiary of Caras of the Americas)

### Notes to Financial Statements

#### June 30, 2022

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The School is also subject to an annual evaluation in conformity with the Performance Management Framework (known as MGD for its Spanish acronym), which measures and assigns certain key performance indicators in the School's academic, operational and financial performance. The Department commenced to perform the School annual evaluation but has not been completed as of the date of these financial statements.

As per the Constituent Letter, the Department is responsible for the School's physical plant including capital improvements. The current condition of the physical plant is not optimal, and it has been further deteriorated as a result of the earthquakes that have affected Puerto Rico during 2020. In this regard, the School's operation has been affected by the current conditions and without the necessary major repairs and capital improvement the School's operation and its academic services could be further affected.

As per the Constituent Letter (section 12), the per pupil rate assigned to the School could be subject to periodic revisions throughout the year. In this regard, the School's management received during 2019 three (3) communications from the Department indicating that the per pupil rate assigned for the fiscal year 2020 was under review and that the School could receive a favorable adjustment of \$166,000 subject to final approval. While approved, this adjustment has not been accrued in the accompanying financial statements given that such adjustment is still pending final authorization through written consent. Such adjustment would be recognized at the moment such final authorization is executed through written consent.

**(b) Contingencies -**

The School has received public funds from the Department and is subject to the compliance requirements referred to in section a) above. Consequently, the School is subject to review, monitoring and audit by the Department. Although such audits and reviews could generate expenditure disallowances under the terms of the contract with the Department, management believes that any required reimbursement will not be material.

**(c) Loan forgiveness -**

On March 2021, the School applied for and was approved a \$280,000 loan under the Paycheck Protection Program ("PPP") created as part of the relief efforts related to COVID-19 and administered by the U.S. Small Business Administration ("SBA"). The School was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan accrued interest at 1%, but payments were deferred for a period of sixteen months if the borrower has not requested forgiveness during such period. The loan was uncollateralized and fully guaranteed by the SBA.

The School filed a request for loan forgiveness for their \$280,000 PPP loan outstanding as of June 30, 2021 and on October 2021 the SBA notified the School that the loan was forgiven. For purposes of derecognizing the PPP loan, management of the School elected the model of accounting under FASB ASC 450-30 *Gain Contingencies*. Under this model, the earnings impact of a gain contingency is recognized when all the contingencies related to the receipt of the assistance have been met and the loan is forgiven by the SBA. The forgiven loan principal amounting to \$280,000 was presented as non-operating revenue in the accompanying statement of activities.

**Escuela Con Causa RPA-RCM LLC**  
**(A wholly-owned Subsidiary of Caras of the Americas)**

**Notes to Financial Statements**  
**June 30, 2022**

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**(8) Subsequent events:**

The School has evaluated subsequent events from the balance sheet date through November 21, 2022, the date at which the financial statements were available to be issued. Management believes that the subsequent events disclosed below are intrinsically related to the financial statements of the School.