

**MUNDO VERDE  
BILINGUAL PUBLIC CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2015 AND 2014**

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## Independent Auditors' Report

To the Board of Directors of  
Mundo Verde Bilingual Public Charter School  
Washington, DC

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

We have audited the accompanying financial statements of Mundo Verde Bilingual Public Charter School (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 2015 financial statements referred to above present fairly, in all material respects, the financial position of Mundo Verde Bilingual Public Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements as of June 30, 2014, were audited by McQuade Brennan, LLP, who merged with Jones, Maresca & McQuade, P.A. as of February 1, 2015, and whose report dated October 31, 2014, expressed an unmodified opinion on those statements.

### **Other Matters**

#### ***Other Information***

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 24, 2015, on our consideration of the 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 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 Mundo Verde Bilingual Public Charter School's internal control over financial reporting and compliance.

*Jane Marusa & McQuade PA*

Washington, DC  
November 24, 2015

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	2015	2014
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 803,624	\$ 654,779
Cash and cash equivalents restricted by debt agreement	261,971	8,612,779
Grants and accounts receivable, net	100,889	229,910
Prepaid expenses	97,134	52,026
Total current assets	1,263,618	9,549,494
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	15,305,185	7,952,133
Deposits	580	38,873
Deferred financing costs, net	282,371	322,353
Total non-current assets	15,588,136	8,313,359
<b>TOTAL ASSETS</b>	<b>\$ 16,851,754</b>	<b>\$ 17,862,853</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,088,902	\$ 2,286,517
Line of credit	78,527	-
Deferred revenue	99,047	258,732
Capital lease obligation, current portion	6,603	-
Current maturity of long-term debt	574,342	324,929
Total current liabilities	1,847,421	2,870,178
<b>NON-CURRENT LIABILITIES</b>		
Capital lease obligation, non-current portion	23,221	-
Long-term debt	12,190,972	13,155,071
Deferred rent	272,831	6,604
Total non-current liabilities	12,487,024	13,161,675
<b>TOTAL LIABILITIES</b>	14,334,445	16,031,853
<b>NET ASSETS</b>		
Unrestricted	2,385,357	1,829,402
Temporarily restricted	131,952	1,598
Total net assets	2,517,309	1,831,000
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,851,754</b>	<b>\$ 17,862,853</b>

See independent auditor's report and accompanying notes to the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 5,567,598	\$ -	\$ 5,567,598
Per pupil facility allowance	1,241,089	-	1,241,089
Federal entitlements and grants	848,300	-	848,300
Other grants and contributions	197,354	177,281	374,635
In-kind donations	5,137	-	5,137
Activity fee and other income	826,107	-	826,107
Net assets released from restrictions	46,927	(46,927)	-
Total revenue and support	<u>8,732,512</u>	<u>130,354</u>	<u>8,862,866</u>
<b>EXPENSES</b>			
Educational programs	6,305,178	-	6,305,178
Management and general	1,771,602	-	1,771,602
Fundraising	99,777	-	99,777
Total expenses	<u>8,176,557</u>	<u>-</u>	<u>8,176,557</u>
<b>CHANGE IN NET ASSETS</b>	555,955	130,354	686,309
<b>NET ASSETS, beginning of year</b>	<u>1,829,402</u>	<u>1,598</u>	<u>1,831,000</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,385,357</u>	<u>\$ 131,952</u>	<u>\$ 2,517,309</u>

See independent auditor's report and accompanying notes to the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Per pupil appropriations	\$ 3,683,377	\$ -	\$ 3,683,377
Per pupil facility allowance	822,000	-	822,000
Federal entitlements and grants	860,188	-	860,188
Other grants and contributions	73,967	2,000	75,967
In-kind donations	6,759	-	6,759
Activity fee and other income	533,441	-	533,441
Net assets released from restrictions	27,089	(27,089)	-
Total revenue and support	<u>6,006,821</u>	<u>(25,089)</u>	<u>5,981,732</u>
<b>EXPENSES</b>			
Educational programs	4,663,243	-	4,663,243
Management and general	964,319	-	964,319
Fundraising	682	-	682
Total expenses	<u>5,628,244</u>	<u>-</u>	<u>5,628,244</u>
<b>CHANGE IN NET ASSETS</b>	378,577	(25,089)	353,488
<b>NET ASSETS, beginning of year</b>	<u>1,450,825</u>	<u>26,687</u>	<u>1,477,512</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,829,402</u>	<u>\$ 1,598</u>	<u>\$ 1,831,000</u>

See independent auditor's report and accompanying notes to the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

	Educational Programs	Management and General	Fundraising	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>				
Salaries	\$ 3,237,639	\$ 771,101	\$ 82,400	4,091,140
Employee benefits	395,558	94,209	10,067	499,834
Payroll taxes	275,746	65,674	7,018	348,438
Professional development	161,584	38,484	-	200,068
Total personnel, salaries and benefits	<u>4,070,527</u>	<u>969,468</u>	<u>99,485</u>	<u>5,139,480</u>
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	110,556	-	-	110,556
Transportation	3,320	-	-	3,320
Contracted instruction fees	132,018	-	-	132,018
Textbooks	36,735	-	-	36,735
Student assessments	20,777	-	-	20,777
Other student costs	210,137	-	-	210,137
Total direct student costs	<u>513,543</u>	<u>-</u>	<u>-</u>	<u>513,543</u>
<b>OCCUPANCY EXPENSES</b>				
Rent	261,130	97,553	-	358,683
Maintenance and repairs	5,776	1,376	-	7,152
Utilities	96,110	22,890	-	119,000
Janitorial services	21,433	5,104	-	26,537
Contracted building services	128,898	30,700	-	159,598
Total occupancy expenses	<u>513,347</u>	<u>157,623</u>	<u>-</u>	<u>670,970</u>
<b>OFFICE EXPENSES</b>				
Office supplies and materials	48,733	11,607	-	60,340
Equipment rental	28,893	6,882	-	35,775
Telecommunications	14,373	3,423	-	17,796
Professional fees	317,628	21,956	-	339,584
Printing and publications	1,000	239	-	1,239
Postage and shipping	1,508	359	-	1,867
Other office expenses	21,639	7,873	-	29,512
Total office expenses	<u>433,774</u>	<u>52,339</u>	<u>-</u>	<u>486,113</u>
<b>GENERAL EXPENSES</b>				
Insurance	57,763	13,757	-	71,520
Interest	-	324,293	-	324,293
Administration fee	-	84,563	-	84,563
Depreciation and amortization	261,521	62,286	-	323,807
Amortization of deferred financing costs	31,323	8,659	-	39,982
Food service/catering	276,660	65,892	-	342,552
Bad debt expenses	9,313	-	-	9,313
Other general expense	137,407	32,722	292	170,421
Total general expenses	<u>773,987</u>	<u>592,172</u>	<u>292</u>	<u>1,366,451</u>
Total expenses	<u>\$ 6,305,178</u>	<u>\$ 1,771,602</u>	<u>\$ 99,777</u>	<u>\$ 8,176,557</u>

See independent auditor's report and accompanying notes to the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	Educational Programs	Management and General	Fundraising	Total
<b>PERSONNEL, SALARIES AND BENEFITS</b>				
Salaries	\$ 2,370,188	\$ 535,032	\$ -	\$ 2,905,220
Employee benefits	235,438	53,146	-	288,584
Payroll taxes	204,629	46,192	-	250,821
Professional development	156,009	35,217	-	191,226
Total personnel, salaries and benefits	<u>2,966,264</u>	<u>669,587</u>	-	<u>3,635,851</u>
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	46,924	-	-	46,924
Contracted instruction fees	134,095	-	-	134,095
Textbooks	34,198	-	-	34,198
Student assessments	10,030	-	-	10,030
Other student costs	89,039	-	-	89,039
Total direct student costs	<u>314,286</u>	-	-	<u>314,286</u>
<b>OCCUPANCY EXPENSES</b>				
Rent	431,307	97,360	-	528,667
Maintenance and repairs	16,714	3,773	-	20,487
Utilities	41,286	9,320	-	50,606
Janitorial services	68	15	-	83
Contracted building services	71,208	16,074	-	87,282
Total occupancy expenses	<u>560,583</u>	<u>126,542</u>	-	<u>687,125</u>
<b>OFFICE EXPENSES</b>				
Office supplies and materials	29,535	6,667	-	36,202
Equipment rental	53,695	12,121	-	65,816
Telecommunications	6,241	1,409	-	7,650
Professional fees	284,591	17,139	-	301,730
Printing and publications	3,303	746	-	4,049
Postage and shipping	1,013	229	-	1,242
Other office expenses	7,487	1,690	-	9,177
Total office expenses	<u>385,865</u>	<u>40,001</u>	-	<u>425,866</u>
<b>GENERAL EXPENSES</b>				
Insurance	20,331	4,589	-	24,920
Administration fee	-	29,715	-	29,715
Depreciation and amortization	148,573	33,538	-	182,111
Food service/catering	186,912	42,192	-	229,104
Other general expense	80,429	18,155	682	99,266
Total general expenses	<u>436,245</u>	<u>128,189</u>	<u>682</u>	<u>565,116</u>
Total expenses	<u>\$ 4,663,243</u>	<u>\$ 964,319</u>	<u>\$ 682</u>	<u>\$ 5,628,244</u>

See independent auditor's report and accompanying notes to the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 686,309	\$ 353,488
Adjustments to reconcile change in net assets provided by (used for) operating activities:		
Depreciation and amortization	323,807	182,111
Loss on disposal of property and equipment	2,529	-
Amortization of deferred financing costs	39,982	-
Deferred rent	266,227	(66,042)
(Increase) decrease in assets:		
Cash and cash equivalents restricted by debt agreements	8,350,808	(8,612,779)
Grants and accounts receivable, net	129,021	(157,038)
Prepaid expenses	(45,108)	(29,066)
Deposits	38,293	(2,573)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,197,615)	1,923,003
Deferred revenue	(159,685)	(16,763)
Net cash Provided by (Used for) operating activities	8,434,568	(6,425,659)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(7,644,308)	(7,837,186)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of debt	-	13,480,000
Borrowing on line of credit	78,527	-
Payments of capital lease obligations	(5,256)	-
Principal payments on debt	(714,686)	-
Deferred financing costs	-	(322,353)
Net Cash Provided by (Used for) Financing Activities	(641,415)	13,157,647
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	148,845	(1,105,198)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	654,779	1,759,977
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 803,624	\$ 654,779
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid, net of capitalized interest	\$ 280,706	\$ -
 <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Acquisition of equipment under capital lease	\$ 35,080	\$ -

See independent auditor's report and accompanying notes to the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE A – ORGANIZATION AND PURPOSE**

Mundo Verde Bilingual Public Charter School (the “School”) is a not-for-profit school which was incorporated under the laws of the District of Columbia in 2008. The School is Washington’s first “green” public charter school. The School is dedicated to educating young people to become global stewards in an increasingly complex world.

The School is located at 30 P Street NW, Washington, D.C. The School currently teaches preschool (3 year-olds) through fourth grade and will add an additional grade each year through the eighth grade. The School is free to DC residents and admits students by lottery.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, the School is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the School and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that may be maintained permanently by the School. There were no permanently restricted net assets as of June 30, 2015 and 2014.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - continued**

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements are comprised of cash and cash equivalents held by a trustee or the authority to fund the current portion of debt service and hold unspent loan proceeds and required project fund.

Grants and Accounts Receivable

The School's grants receivable consist of unsecured amounts due from public funding sources whose ability to pay are subject to appropriations. Other accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. The School has established an allowance for doubtful accounts for potentially uncollectible receivables. As of June 30, 2015 and 2014, the allowance of doubtful accounts totaled \$9,313 and \$0, respectively.

Property and Equipment

Purchases of property and equipment over \$1,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight line method over the estimated useful lives of the underlying assets, which range from 3 to 40 years. Leasehold improvements are amortized over the lesser of their useful life or the lease term. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred

Construction-in-Progress

The School began construction for a new school building adjoining the current facilities. All costs related to the construction are accumulated as construction-in-progress until the building is ready for occupancy, after which these costs will be reclassified as buildings and will be depreciated over the useful life of the asset.

Deferred Financing Costs

Deferred financing costs totaling \$322,353 are capitalized and are amortized over the lives of the loans. The amortization expense for the years ending June 30, 2015 and 2014, totaled \$39,982 and \$0, respectively.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Deferred Revenue

Deferred revenue results from per pupil appropriations and other income received in advance of services to be provided.

Deferred Rent

The School records rent expense including rent abatement on a straight line basis over the term of the lease. Deferred rent is recorded for the difference in the rent expense recognized on a straight–line basis and the rent payments.

Grants and Contributions

Grants and contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted revenue received that is expended in the year of receipt is treated as unrestricted for financial statements purposes.

In-Kind Contributions

Donated facilities, goods and services are recorded at fair value at the date of donation. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. During the year ended June 30, 2015, the School received \$5,137 of donated goods. During the year ended June 30, 2014, the School received \$4,619 of donated services and \$2,140 of donated goods.

Activity Fees

Activity fees are amounts earned from students for field trips, summer camps, and other school related activities. These fees are recognized at the time the activity is held.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Functional Expenses

The costs of providing the School's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Reclassifications

For comparative purposes, certain amounts for the year ended June 30, 2014, have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

**NOTE C – INCOME TAXES**

Mundo Verde Bilingual Public Charter School qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. This topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years (2012-2014), or expected to be taken in its 2015 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE D – PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30:

	2015	2014
Computers and materials	\$ 153,546	\$ 87,301
Furnishings and equipment	245,658	129,552
Renovation and leasehold improvements	9,176,000	233,529
Construction in progress	6,142,929	7,826,550
	15,718,133	8,276,932
Less: Allowance for depreciation	(412,948)	(324,799)
	\$ 15,305,185	\$ 7,952,133

Depreciation and amortization expense for the years ended June 30, 2015 and 2014, totaled \$323,807 and \$182,111, respectively.

The amount of interest capitalized by the School for the years ended June 30, 2015 and 2014 totaled \$314,371 and \$174,751, respectively. Capitalized interest relates to construction activities and includes the relevant portions of applicable interest payments to creditors on bank and other debt obligations.

**NOTE E – LINE OF CREDIT**

On January 5, 2015, the School entered into a line of credit agreement with United Bank for up to \$500,000. The line of credit bears an interest rate of 4.5% per annum. The line of credit is secured by the School's accounts receivable, inventory, equipment, and bank deposit accounts. As of June 30, 2015, the balance due on the line of credit totaled \$78,527.

**NOTE F – LONG-TERM DEBT**

The proceeds of the financing discussed below were used to acquire and renovate the land and building currently used by the School.

During January 2014, the School secured tax exempt District of Columbia Revenue Bonds, Series 2014, issued for \$11,480,000 (Revenue Bond). The Revenue Bond is collateralized by all assets of the School. The Revenue Bond is schedule to mature February 1, 2030. Revenue Bond interest only payments are due monthly at 4.00% interest per annum through February 1, 2015. Interest plus principal payments are due monthly from March 1, 2015 through at 4.00% interest per annum through January 1, 2020. The interest rate of subsequent periods will be the greater of the sum of the five year swap rate for the thirty day LIBOR rate plus 3.00% multiplied by one minus the bank tax rate (currently 38%) and a factor based on the average cost of deposits of the bank and bank tax rate,

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE F – LONG-TERM DEBT – continued**

or 4% per annum. Prepayment of the Revenue Bond in whole or in part is subject to a redemption percentage and additional fees and expenses.

During January 2014, the School obtained a loan from the Office of Public Charter School Financing and Support in the amount of \$2,000,000 (PCSFS Loan). The PCSFS Loan is paid by quarterly principal and interest payments at 4.00% per annum over a term of five years based on a 25 year amortization schedule. PCSFS has provided a \$1,000,000 debt service enhancement guaranty in favor of United Bank, which is scheduled to terminate January 15, 2019. The collateral for the PCSFS Loan is a second lien on all assets of the School and all improvements to the property. The collateral for the PCSFS Loan is a second lien on all assets of the School and all improvements to the property.

In the opinion of management, the School has complied with the required covenants for the years ended June 30, 2015 and 2014.

The following summarizes long-term debt as of June 30:

	2015	2014
District of Columbia Revenue Bonds (Series 2014)	\$ 10,766,127	\$ 11,480,000
Public Charter School Financing and Support	1,999,187	2,000,000
Total	12,765,314	13,480,000
Less: current maturity	(574,342)	(324,929)
Total long-term debt	\$ 12,190,972	\$ 13,155,071

Aggregate annual maturities of the debt are as follows for the years ending June 30:

2016	\$ 574,342
2017	603,587
2018	627,716
2019	2,641,083
2020	675,751
Thereafter	7,642,835
Total	\$ 12,765,314

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE G – LEASE COMMITMENTS**

The School entered into a sublease agreement on November 11, 2011, for a building at 3220 16<sup>th</sup> Street NW, Washington, DC, which expired on July 31, 2014.

During 2014, the School entered into a new lease agreement with the District of Columbia as the lessor for a thirty year period. The lease term began on August 1, 2014, and is classified as an operating lease. Twelve months rent abatement is available to the School for every \$1 million spent for leasehold improvements; however, no more than a total of 180 months of rent shall be abated. Management anticipates that the School will fully realize the available rent abatement.

The lease contains escalation clauses and charges for other costs related to the leased space. Due to rent abatements earned, minimum required payments begin in fiscal year 2029, and totaling \$9,821,907 through fiscal year 2045.

Facility rent expense for the years ended June 30, 2015 and 2014, totaled \$358,683 and \$528,667, respectively. Equipment rental expense for the years ended June 30, 2015 and 2014, totaled \$35,775 and \$65,815, respectively.

**NOTE H – CAPITAL LEASE**

During 2015, the School entered into a capital lease for equipment that may be purchased at the expiration of the lease. The interest rate implicit in the lease is 5% per annum. The monthly payment is \$662 and the lease expires on August 31, 2019. As of June 30, 2015, the capitalized cost of the equipment lease totaled \$35,080. Accumulated amortization and amortization expense on the equipment totaled \$5,847 for the year ended June 30, 2015.

Minimum future lease payments under the capital lease are as follows for the years ended June 30:

2016	\$ 7,944
2017	7,944
2018	7,944
2019	7,944
2020	<u>7,944</u>
	33,100
Less interest	<u>( 3,276)</u>
Total	<u>\$ 29,824</u>

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE I - TEMPORARILY RESTRICTED NET ASSETS**

For the years ended June 30, 2015 and 2014, temporarily restricted net assets were designated for the following:

	<u>2015</u>	<u>2014</u>
CityBridge	\$ 21,831	\$ -
Campus campaign	77,281	-
Whole kids grant program	-	1,598
	<u>\$ 131,952</u>	<u>\$ 1,598</u>

**NOTE J – RETIREMENT PLAN**

The School established a 401(k) qualified retirement plan (the Plan), under which employees who attain the age of 21 years or older and complete one consecutive month of employment are eligible to participate.

Under the Plan, the School will match a discretionary percentage of each participant’s salary. A discretionary profit sharing contribution is also available. The total matching, discretionary contributions, and fees incurred by the School for the years ended June 30, 2015 and 2014, totaled \$105,462 and \$80,094, respectively.

**NOTE K – CONCENTRATIONS OF RISK**

The School is dependent on funding the District of Columbia, as authorized by the District of Columbia Public Charter Board. During the years ended June 30, 2015 and 2014, approximately 76% and 75% of total support was received from the District of Columbia, respectively.

The School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the School must compete for students against the DC Public School system and other DC Public Charter Schools. Uniform Per-Student Funding received from the District of Columbia is based upon actual student enrollment determined by an annual enrollment audit. As a result, actual revenue may vary materially from budgeted revenue if under-enrollment were to occur.

The School maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School’s cash routinely exceeds the FDIC limit. Management does not believe the School is exposed to any significant credit risk on its cash and cash equivalents.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**  
(continued)

**NOTE L – AVERAGE COST PER STUDENT**

For the years ended June 30, 2015 and 2014, the average cost per student totaled \$20,141 and \$20,541, respectively. This is calculated by dividing total noncapital expenditures, by the School's full time student enrollment.

**NOTE M – SUBSEQUENT EVENTS**

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through November 24, 2015, the date the consolidated financial statements were available to be issued. There were no events or transactions discovered during the evaluation that required recognition or further disclosure.

**REPORTS AND SCHEDULES  
REQUIRED BY OMB CIRCULAR A-133**



**INDEPENDENT AUDITOR'S 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  
Mundo Verde Bilingual Public Charter School  
Washington, DC

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 financial statements of Mundo Verde Bilingual Public Charter School (the "School"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

## **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*.

## **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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jane Maruca & McQuade PA*

Washington, DC  
November 24, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
Mundo Verde Bilingual Public Charter School  
Washington, DC

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

We have audited Mundo Verde Bilingual Public Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2015. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal program 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 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 of the School's compliance.

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

In our opinion, the School 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, 2015.

## **Report on Internal Control over Compliance**

Management of the School 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 School'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 OMB Circular A-133, 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 School'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Jane Marusa & M<sup>o</sup>Quade PA*

Washington, DC  
November 24, 2015

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

<b>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Identification Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
Title I Grants to Local Educational Agencies	84.010	42010A	\$ 355
Title II Improving Teacher Quality State Grants	84.367	42367A	18,319
DC School Choice Incentive Program:			
Investing in Public Facility Projects Grant	84.370	U370C130001	525,000
Replication and Growth Grant	84.370	U370C130001	97,401
Academic Quality Grants for Charters	84.370	U370C130001	94,638
Special Populations Grant	84.370		10,066
<b>Total Federal Expenditures - U.S. Department of Education</b>			<u>745,779</u>
<b>U.S. Department of Agriculture</b>			
<b>Pass Through from District of Columbia Office of the State Superintendent of Education (OSSE)</b>			
<b>Child Nutrition Cluster</b>			
School Breakfast Program	10.553		24,478
National School Lunch Program	10.555		56,391
School Snack Program	10.XXX		21,652
<b>Total Federal Expenditures - U.S. Department of Agriculture</b>			<u>102,521</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 848,300</u>

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2015**

**NOTE I – BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**NOTE II – 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 in the U.S. Office of Management and Budget Circular A-122, *Cost Principles for Non-profit Organizations*. Under those cost principles, certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

- |   |               |
|---|---------------|
| (a) Type of auditor's report issued   | Unmodified    |
| (b) Internal control over financial reporting:<br>Material weakness identified?         | No            |
| Significant deficiencies identified that are not<br>considered to be material weakness? | None reported |
| (c) Noncompliance material to financial statements noted?                               | No            |

***Federal Awards***

- |  |               |
|--|---------------|
| (d) Internal control over major programs:<br>Material weakness identified?                                   | No            |
| Significant deficiencies identified that are not<br>considered to be material weakness?                      | None reported |
| (e) Type of auditor's report issued on compliance for<br>major programs:                                     | Unmodified    |
| (f) Any audit findings disclosed that are required to be<br>reported under section 510(a) of Circular A-133? | No            |

***Major Programs:***

- |  |           |
|--|-----------|
| (g) Name of Federal Programs and CFDA Number:<br><br>U.S. Department of Education:<br>DC School Choice Incentive Program | 84.370    |
| (h) Dollar threshold used to distinguish between<br>type A and type B programs:  | \$300,000 |
| (i) Auditee qualified as low-risk auditee?   | No        |

<b>SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT</b>	None reported
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<b>SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT</b>	None reported
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<b>SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS</b>	None reported
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