

**Latin American Montessori Bilingual
Public Charter School**



**Financial Statements and
Auditor's Report**

For the years ended June 30, 2015 and 2014

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Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
Latin American Montessori Bilingual
Public Charter School, Inc.
1375 Missouri Avenue NW
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 audits. 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 audit 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 financial statements referred to above present fairly, in all material respects, the financial position of the Latin American Montessori Bilingual Public Charter School, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and schedules of average cost per student are presented for purposes of additional analysis and are 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 25, 2015, on our consideration of the Latin American Montessori Bilingual Public Charter School, Inc.'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* in considering the Latin American Montessori Bilingual Public Charter School, Inc.'s internal control over financial reporting and compliance.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 25, 2015

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 2,442,425	\$ 1,660,487
Accounts Receivable	41,068	9,595
Grants Receivable	167,531	189,807
Promises Receivable	33,925	35,185
Prepaid Expenses	58,744	68,606
Current Portion - Deferred Financing Costs	<u>14,775</u>	<u>14,775</u>
Total Current Assets	<u>\$ 2,758,468</u>	<u>\$ 1,978,455</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 8,542,902</u>	<u>\$ 8,671,799</u>
Total Fixed Assets	<u>\$ 8,542,902</u>	<u>\$ 8,671,799</u>
<u>Other Assets:</u>		
Cash Restricted for Long-Term Purposes	\$ 202,257	\$ 200,756
Deferred Financing Costs, Net of Amortization	73,875	88,650
Less: Current Portion	(14,775)	(14,775)
Deposits	<u>5,500</u>	<u>21,854</u>
Total Other Assets	<u>\$ 266,857</u>	<u>\$ 296,485</u>
TOTAL ASSETS	<u>\$ 11,568,227</u>	<u>\$ 10,946,739</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 152,995	\$ 53,176
Accrued Interest Payable	3,611	3,698
Accrued Salary and Vacation	521,882	464,000
Payroll Withholdings and Related Liabilities	114,926	96,120
Refundable Advances	-	165,564
Deferred Revenues	23,325	-
Current Portion - Long-Term Debt	<u>138,312</u>	<u>132,804</u>
Total Current Liabilities	<u>\$ 955,051</u>	<u>\$ 915,362</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 5,520,296	\$ 5,653,100
Less: Current Portion	(138,312)	(132,804)
Interest Rate Swap	<u>168,142</u>	<u>125,645</u>
Total Long-Term Liabilities	<u>\$ 5,550,126</u>	<u>\$ 5,645,941</u>
Total Liabilities	<u>\$ 6,505,177</u>	<u>\$ 6,561,303</u>
<u>Net Assets:</u>		
Unrestricted	\$ 5,053,282	\$ 4,320,167
Board Designated - PTO	6,568	5,269
Temporarily Restricted	<u>3,200</u>	<u>60,000</u>
Total Net Assets	<u>\$ 5,063,050</u>	<u>\$ 4,385,436</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,568,227</u>	<u>\$ 10,946,739</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015			June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 6,304,233	\$ -	\$ 6,304,233	\$ 5,616,843	\$ -	\$ 5,616,843
Federal Entitlements and Grants	480,484	-	480,484	495,699	-	495,699
State Grants - District of Columbia	16,759	-	16,759	29,695	-	29,695
Private Grants and Contributions	122,894	25,800	148,694	223,473	96,500	319,973
Student Fees	68,125	-	68,125	66,708	-	66,708
Extended Learning Day Program Fees	455,764	-	455,764	420,627	-	420,627
Donated Services and Materials	-	-	-	166,300	-	166,300
Interest and Dividends	3,530	-	3,530	2,886	-	2,886
Loss on Disposal of Fixed Assets	(348)	-	(348)	-	-	-
<u>Fundraisers:</u>						
Sales	\$ 14,835	\$ -	\$ 14,835	\$ 17,328	\$ -	\$ 17,328
Less: Cost of Direct Benefits to Donors	(8,019)	-	(8,019)	(8,391)	-	(8,391)
Net Revenue from Fundraisers	<u>\$ 6,816</u>	<u>\$ -</u>	<u>\$ 6,816</u>	<u>\$ 8,937</u>	<u>\$ -</u>	<u>\$ 8,937</u>
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>82,600</u>	<u>(82,600)</u>	<u>-</u>	<u>51,500</u>	<u>(51,500)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 7,540,857</u>	<u>\$ (56,800)</u>	<u>\$ 7,484,057</u>	<u>\$ 7,082,668</u>	<u>\$ 45,000</u>	<u>\$ 7,127,668</u>
<u>Expenses:</u>						
Educational Services	\$ 6,261,938	\$ -	\$ 6,261,938	\$ 5,927,586	\$ -	\$ 5,927,586
Fundraising	35,723	-	35,723	44,017	-	44,017
General and Administrative	466,285	-	466,285	472,448	-	472,448
Total Expenses	<u>\$ 6,763,946</u>	<u>\$ -</u>	<u>\$ 6,763,946</u>	<u>\$ 6,444,051</u>	<u>\$ -</u>	<u>\$ 6,444,051</u>
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	<u>\$ 776,911</u>	<u>\$ (56,800)</u>	<u>\$ 720,111</u>	<u>\$ 638,617</u>	<u>\$ 45,000</u>	<u>\$ 683,617</u>
Changes in Fair Value of Interest Rate Swap	<u>\$ 42,497</u>	<u>\$ -</u>	<u>\$ 42,497</u>	<u>\$ 125,645</u>	<u>\$ -</u>	<u>\$ 125,645</u>
Change in Net Assets	<u>\$ 734,414</u>	<u>\$ (56,800)</u>	<u>\$ 677,614</u>	<u>\$ 512,972</u>	<u>\$ 45,000</u>	<u>\$ 557,972</u>
Net Assets, Beginning of Year	<u>4,325,436</u>	<u>60,000</u>	<u>4,385,436</u>	<u>3,812,464</u>	<u>15,000</u>	<u>3,827,464</u>
Net Assets, End of Year	<u>\$ 5,059,850</u>	<u>\$ 3,200</u>	<u>\$ 5,063,050</u>	<u>\$ 4,325,436</u>	<u>\$ 60,000</u>	<u>\$ 4,385,436</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 677,614	\$ 557,972
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	298,783	283,395
Loss on Disposal of Fixed Assets	348	-
Amortization - Loan Acquisition Costs	14,775	14,776
Unrealized Loss/(Gain) on Interest Rate Swap	42,497	125,645
Deposits - (Increase)/Decrease	16,354	(7,610)
Accounts Receivable - (Increase)/Decrease	(31,473)	29,746
Grants Receivable - (Increase)/Decrease	22,276	(97,433)
Promises Receivable - (Increase)/Decrease	1,260	(13,869)
Prepaid Expenses - (Increase)/Decrease	9,862	(18,829)
Accounts Payable - Increase/(Decrease)	99,819	(10,904)
Accrued Interest Payable - Increase/(Decrease)	(87)	(83)
Accrued Salary and Vacation - Increase/(Decrease)	57,882	115,263
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	18,806	(14,224)
Refundable Advances - Increase/(Decrease)	(165,564)	7,098
Deferred Fees - Increase/(Decrease)	<u>23,325</u>	<u>-</u>
Net Cash Flows From Operating Activities	<u>\$ 1,086,477</u>	<u>\$ 970,943</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (170,234)	\$ (149,658)
Purchase of Certificates of Deposit	<u>-</u>	<u>(200,000)</u>
Net Cash Flows From Investing Activities	<u>\$ (170,234)</u>	<u>\$ (349,658)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes	\$ (132,804)	\$ (126,900)
Interest Restricted for Debt Service	<u>(1,501)</u>	<u>(756)</u>
Net Cash Flows From Financing Activities	<u>\$ (134,305)</u>	<u>\$ (127,656)</u>
Net Increase in Cash and Cash Equivalents	\$ 781,938	\$ 493,629
Cash and Cash Equivalents at Beginning of Year	<u>1,660,487</u>	<u>1,166,858</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,442,425</u>	<u>\$ 1,660,487</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2015 and 2014.
- b) Interest in the amount of \$267,068 and \$272,066, respectively, was paid during the years ended June 30, 2015 and 2014.

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

The Latin American Montessori Bilingual Public Charter School, Inc. (The Charter School), a District of Columbia Not-for-Profit Corporation was incorporated on May 13, 2002, exclusively for educational purposes. The Public Charter School operates as part of the District of Columbia Public School System. The mission of the Latin American Montessori Bilingual Public Charter School (LAMB) is to lay a foundation of knowledge, habits, attitudes, and skills, which are essential for a lifetime of creative thinking and learning. To achieve that, the School will create child-centered learning environments, for pre-school through fifth grade children, utilizing hands-on Montessori materials which are developmentally appropriate, self-correcting, sequenced and flow from simple to complex in order for students to achieve the following goals: to learn, master and be able to apply academic content in language arts, mathematics, and science. To become self-motivated learners able to integrate technology, non-academic, and academic subject matters in order to develop to their fullest potential to develop literacy - reading, writing, listening and speaking skills - in Spanish and English.

Overall, the goal is simple: bi-literacy in English and Spanish. In order to reach that goal, LAMB teaches in English and Spanish, utilizing Montessori curricula core academic and non-academic subject matter. The activities of the Latin American Montessori Bilingual Public Charter School are as follows:

- Create ethnically and culturally mixed, developmentally appropriate bilingual environments for children in the preschool and early elementary years, i.e., during their critical developmental period for native-level language acquisition, so that children from diverse backgrounds eventually emerge as functionally bilingual - speaking, reading and writing both in English and in Spanish.
- Utilize Montessori materials to teach academic and non-academic subjects from pre-reading and language arts to geography, history, science, and practical life skills.
- Foster parents' commitment to long-term participation in the Montessori approach to second-language immersion at both the preschool and elementary levels.
- Provide referral to support services such as counseling and parent education classes.

The Latin American Montessori Bilingual Public Charter School believes, and it is confirmed in educational research, that early childhood education is critical in laying a foundation of academic readiness that greatly impacts future outcomes.

The School's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition:

Contributions

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-605-25 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value.

The Charter School reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Federal and Charter School Funding

The Latin American Montessori Bilingual Public Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment as well as funding for summer school and English as a second language. The Latin American Montessori Bilingual Public Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a refundable advance.

Federal entitlements are recognized based on the allowable costs incurred.

Extended Learning Day Program

The Latin American Montessori Bilingual Public Charter School offers fee-based extended day programming for students in grades pre-school through fifth grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The Latin American Montessori Bilingual Public Charter School is exempt from federal income taxes (other than unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective February 14, 2006. Accordingly, no provisions for income taxes have been provided for in the accompanying financial statements.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(c) Corporate Taxes: (Continued)

The organization has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). The School did not have any net unrelated business income for the year ended June 30, 2015.

The Latin American Montessori Bilingual Public Charter School is also exempt from District of Columbia sales, real estate, and personal property taxes.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia Government. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

(e) Net Assets:

The Charter School has adopted Financial Accounting Standards Board ASC No. 958-205-05 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC No. 958-205-05, the Charter School is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control. This classification includes net assets subject to donor-imposed conditions, which have been met in the current year and net assets subject to donor-imposed restrictions that have been released from restrictions. Board designated funds in the amount of \$6,568 and \$5,269 as of June 30, 2015 and 2014, respectively, were for the purpose of Parent Teacher Organization activities.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Charter School and/or the passage of time. When a restriction expires, 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 were available at year end for the following purpose:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
CHISPA Project	\$ 3,200	\$ -
History Preservation	<u>-</u>	<u>60,000</u>
Total	<u>\$ 3,200</u>	<u>\$ 60,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by the occurrence of events specified by donors for the following activities:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
History Preservation	\$ 60,000	\$ -
After School Tutoring	10,800	24,500
Art Education	10,000	10,000
CHISPA Project	1,800	-
Out-of-School Program	-	15,000
Music Education	<u>-</u>	<u>2,000</u>
Total Released	<u>\$ 82,600</u>	<u>\$ 51,500</u>

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Charter School. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Charter School did not have any permanently restricted net assets as of June 30, 2015 and 2014.

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials: (Continued)

In-kind contributions are recorded in the Statement of Activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received. The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Strategic Planning Consulting	\$ -	\$ 154,400
Fixed Assets	<u>-</u>	<u>11,900</u>
Total	<u>\$ -</u>	<u>\$ 166,300</u>

(g) Basic Programs:

The Latin American Montessori Bilingual Public Charter School (LAMB) was founded in 2001 as a 501 (c) (3) nonprofit to address a dearth of high quality early childhood bilingual schools.

LAMB's mission is to create a self-directed learning environment in which children build a foundation of knowledge essential for a lifetime of learning while developing bi-literacy in English and Spanish. LAMB is the only accredited, dual language immersion Montessori public charter school in the District of Columbia and one of a few nationwide. There are multiple factors that make LAMB's specialized services highly attractive to District residents: (1) free to DC residents; (2) bilingual; (3) Montessori; (4) diverse student population; (5) stable leadership with excellent administrators and teachers; (6) assessed as a Tier I school, i.e. quality school with quality programs and positive outcomes; and (7) safe welcoming environment.

In school year 2014-2015, LAMB had 342 early childhood and elementary learners. The school's student demographics are 57% Latino, 22% African American, and 21% Caucasian; 58% are English Language Learners. They represent 115 families at the South Dakota building (182 students) and 139 families at the Missouri building (160 students).

LAMB students are diverse and many have multiple risk factors: Title I 23.60% (81), special needs 11% (33), 41.5% English Language Learners (142), 57% Latino, 22% African American, and 21% Caucasian. Of the students eligible for free and/or reduced lunch (F.A.R.M.): 27% are SPED, 71.6% ELL, and 38.3% at-risk. Of the At-Risk students: 73% are ELL and 27% SPED. Of the ELL students: 19% are SPED, 40.8% F.A.R.M. and 16.9% at-risk. The majority of ELL students test out of ELL by 3rd grade and Homeless students are concentrated in PK4 - 2nd grade.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Grade and Age Levels Served SY 2014-2015							
Age	Grade level	Number of Students	SPED	LEP	F.A.R.M.	Missouri	South Dakota
3-years-old	PK-3	48	3	22	5	21	26
4-years-old	PK-4	62	6	21	13	30	32
5-years-old	KG	59	5	23	14	34	26
6-years-old	1	53	8	27	12	32	21
7-years-old	2	43	3	20	12	27	16
8-years-old	3	27	3	12	8	16	11
9-years-old	4	32	8	11	11	0	32
10-years-	5	18	2	6	6	0	18
	Whole school	342	38 11%	142 41.5%	81 23.6%	160 46.8%	182 53.2%

District residency is a requirement for LAMB enrollment. Students live in apartments, single-family homes, doubled up housing and some have temporary living arrangements. Their families are as diverse as their housing with two parents (mom and dad, two moms, two dads), adopted, single moms, grandparents, children of divorce, children whose parents are in the armed services and others who are grieving the loss of a parent. Their needs are as varied as the demographics imply and still they thrive in the Montessori classroom, a world of choice, where the mantra is “follow the child.”

Leadership/governance of the organization and their respective roles

LAMB is governed by a volunteer Board of Directors which meets on the second Tuesday of the month except in August. The Board emphasizes strategic leadership, clear distinction of board and staff roles and is committed to governing with excellence. The board is accountable to its stakeholders and the general public for competent, conscientious, and effective accomplishment of its obligations as a body. The board is governed by a code of conduct. The Board’s responsibilities include, but are not limited to:

1. Select, support, and evaluate the Executive Director.
2. Establish broad policies and monitor school progress toward meeting student achievement and other objectives agreed to in the charter contract.
3. Approve budget and provide financial oversight ensuring adequate resources to operate the school.
4. Ensure legal and ethical integrity.

Co-founders and senior administrators Cottman and Encinas, along with a stellar governing body continue to lead a team of 75 full- and part-time teachers in 14 classrooms in two facilities. At LAMB, teachers follow students’ individual needs to achieve personal academic excellence and to become life-long learners who respect themselves, others, and their environment.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Leadership/governance of the organization and their respective roles (Continued)

The philosophy of Maria Montessori is the cornerstone of LAMB's programs while complying with applicable requirements of the Public Charter School Board and local and federal regulations.

Program Description

In many successful educational programs, there are two elements that stand out: working with the children at their own levels and giving them the appropriate skills and concrete tools to build confidence in themselves and their communities. The Montessori educational philosophy incorporates, at its core, "following the child" and respecting the child's cultural and developmental identities. A good bilingual program enriches the child's first language and culture and develops the second language and culture while supporting the first.

LAMB marries the two educational pedagogies. LAMB students experience a two way immersion program in which their individual needs are met through English and Spanish instruction in a Montessori environment. The students' native languages, English or Spanish, are enriched by their acquisition of a second language. LAMB successfully integrates the Montessori educational philosophy and the best practices for bilingual instruction: developing and further enriching the students' native language skills through acquiring a second language. For nearly one hundred years Maria Montessori's educational techniques have been successfully used in dual language schools throughout Europe, Africa, and Asia, it is only intuitive that this internationally proven educational method could and does prove successful in the United States with our ELLs.

LAMB's goal is that students will be bilingual and bi-literate, able to read and write on grade level in both English and Spanish by the end of fifth grade. Research on second language acquisition indicates that it takes 5-7 years for a child to develop proficiency in academic language equivalent to that of a native speaker. With bi-literacy as a goal, students must enroll in the school at 3 or 4 years old in order to continue through the elementary program. These additional years in our bilingual program ensures that LAMB students are fully bilingual before transitioning to middle school programs. For English language learners, this means that they will have the opportunity to exit "ELL" status before they transition to middle school. Many exit by third grade. Mission-related goals focus on developing oral reading fluency in Spanish and English and comprehension skills in both languages.

Based on the Montessori model, LAMB classes are organized into multi-age groupings: Primary (PK3 to Kindergarten), Lower Elementary (1st to 3rd grades) and Upper Elementary (4th to 5th grades). Traditionally, students remain in the same classroom for three years and have the experience of being the youngest, the middle, and the oldest within the group.

LAMB has two teachers dedicated for each class, at least one of whom is highly qualified (Praxis II or HOUSSE). Classes are designed to allow children to self-select educational materials and workstations that reflect their inner drives for learning.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Program Description (Continued)

Teachers are trained to observe students to determine their interests, record progress and/or skills that need strengthening using Montessori Records Express, and to plan lessons accordingly. The Montessori teacher's role is to model peaceful concentration and to inspire wonder in the child. This connects the child to the materials in the environment and sparks his or her passion for meaningful exploration.

Classroom manipulative materials are a Montessori trademark. Montessori materials are designed so that students receive instant feedback as they work, allowing them to recognize, correct, and learn from their mistakes without adult assistance. Putting control of the activity in the students' hands strengthens their self-esteem and self-motivation as well as learning. A Montessori classroom is disciplined and self-directed. Children are provided with hands-on materials that enable them to learn math, language, science, and history, while at the same time developing intellectual curiosity, self-respect, and respect for the world around them. Instructors give one-on-one and small group lessons, and then monitor the children's progress as they practice and complete work independently at their own pace. This highly individualized, materials-based curriculum is ideal for students with special needs, as differentiated instruction is built into the core of the program.

The Montessori cultural curriculum (science and social studies) forms the basis of the elementary curriculum with language arts and mathematics covered in integrated, interdisciplinary units of study. LAMB believes that the elementary years are a period when students learn how to learn. The students have a limitless imagination and great energy for memorizing facts. Students exhibit especially strong interest in geography, history, anthropology, biology, earth science, and astronomy. Montessori elementary classrooms are research and project focused with an emphasis on taking field trips, conducting experiments, and bringing in guest presenters who can provide students with "real world" experiences beyond what they can read about in a book or online.

The Montessori elementary "Cosmic Curriculum" is built around the five Great Lessons given at the beginning of each year: creation of the universe; coming of plants and animals; arrival of humans; beginning of language; and development of math and invention. Students remain in the same multi-age classroom for three years, and they experience the telling of the Great Lessons as a classroom tradition. Each year the new youngest students in a class gather for these five group lessons. The older, returning children may come to the lesson if they like, or hear them from afar, experiencing them differently each time depending upon their own growth in understanding. The teacher designs each Great Lesson using stories, music, impressionistic charts, experiments, and games. Following the presentations of the Great Lessons, teachers offer students more specific key lessons that isolate concepts and refine student understanding. LAMB elementary Montessori teachers follow a three-year cycle in planning the key lessons that follow the Great Lessons. This ensures that all areas of the Cosmic Curriculum are covered in the upper elementary program and that the child has a broad and varied foundation of social studies and scientific knowledge when he or she transitions from LAMB to another educational environment.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Program Description (Continued)

The non-academic goals target social emotional competency and emphasize the school’s overarching goals of peaceful communication and living where there is a demonstrated respect for self, others and the environment. Self-directed learning and critical thinking are key to developing the confidence and competence to be a contributing member of the community.

LAMB uses the Montessori Grace and Courtesy curriculum and the Practical Life curriculum to help students build the social skills, practical skills, and "know-how" to succeed in life both inside and outside of school settings. Grace and Courtesy and Practical Life lessons involve explicit modeling of manners, common social graces, cooking and cleaning, basic sewing and construction tasks, event planning, service projects, etc.

Outcomes

LAMB has eleven years’ experience demonstrating that its dual language immersion Montessori program works. LAMB has been a Tier 1 school since the Public Charter School Board created the Performance Management Framework, four years ago, and consistently exceeds the DC Average in Reading and Math on the standardized DC CAS Assessment. As reported by the Office of the State Superintendent of Education (OSSE) on 8/6/2015, OSSE has determined that under IDEA, for FY 2013, LAMB meets requirements in implementing the requirements of Part B of IDEA. In addition, LAMB scored 96% on the Financial Audit Review for FY 2014 making it a high financial performer.

OSSE School Classification 76% Rising	Public Charter School Board 80.5% PMF Report Card Tier 1	DC CAS Results Math LAMB 71% DC Average 55%	DC CAS Results Reading LAMB 73% DC Average 50%	In-Seat Attendance 96% DC 93%	Highly Qualified Instructional Staff 83% DC Average - not available
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All students can be peace ambassadors. From the moment students arrive at LAMB (at age 3 or 4), they are fully immersed in our school-wide peace culture which is represented by the PAZ matrix presented during our first peace ceremony of the year.

Parent Involvement

When a new student enters LAMB, we feel that a family, rather than an individual, has joined us. By virtue of their age, students must be escorted to school. This gives us twice a day to obtain parents’ input and participation. The primary participation expected of all parents is volunteerism, attendance at the scheduled parent-teacher conferences each quarter AND attendance at special events and workshops organized by teachers, children, and the school administration.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Parent Involvement (Continued)

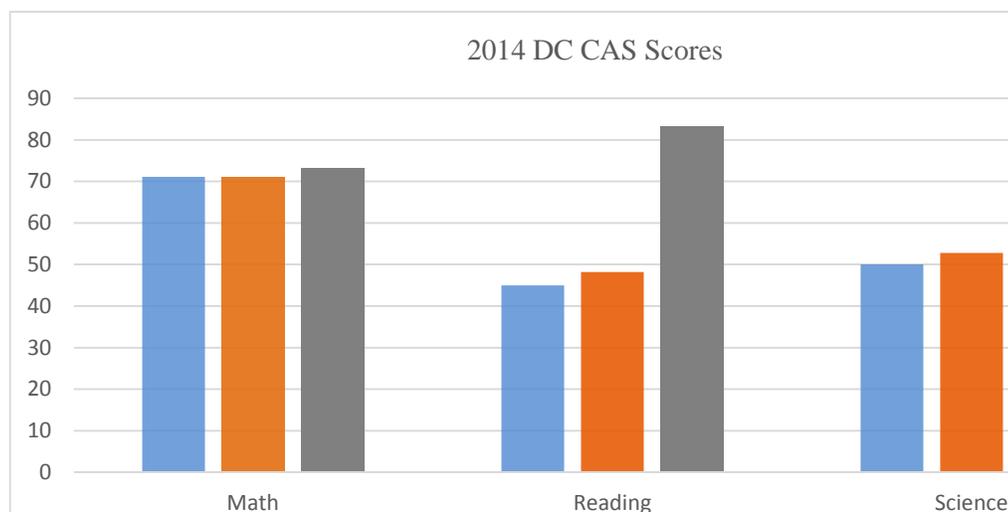
Parental involvement is also encouraged through our parent education program. Parents can participate in workshops on topics such as Montessori education, dual language immersion, and behavior management. Extended Learning Day is provided on a sliding fee basis. LAMB conducts parent satisfaction surveys following these events and alters and develops future parent education sessions based on interest and need.

Assessments

LAMB utilizes a variety of assessments and evaluation tools. Test results are made available regularly and in a user friendly format. LAMB tracks and reports student performance data to determine the degree to which it is meeting its academic and non-academic goals, and to provide increased instructional opportunities as needed.

By the end of the school year, LAMB has tested students three times (fall, winter, spring) in mathematics utilizing the easyCBM Math assessment from the University of Oregon. The goals are established based on our Early Childhood Performance Management Plan (K-2) and our Elementary Performance Management Plan (3-5), which is measured by proficiency on the DC CAS, but we use easyCBM as a predictor for the DC CAS.

The most recent standardized test data available is the DC Comprehensive Assessment System, better known as the DC CAS. It is the high stakes test mandated and managed by the Office of the State Superintendent of Education (OSSE).



LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

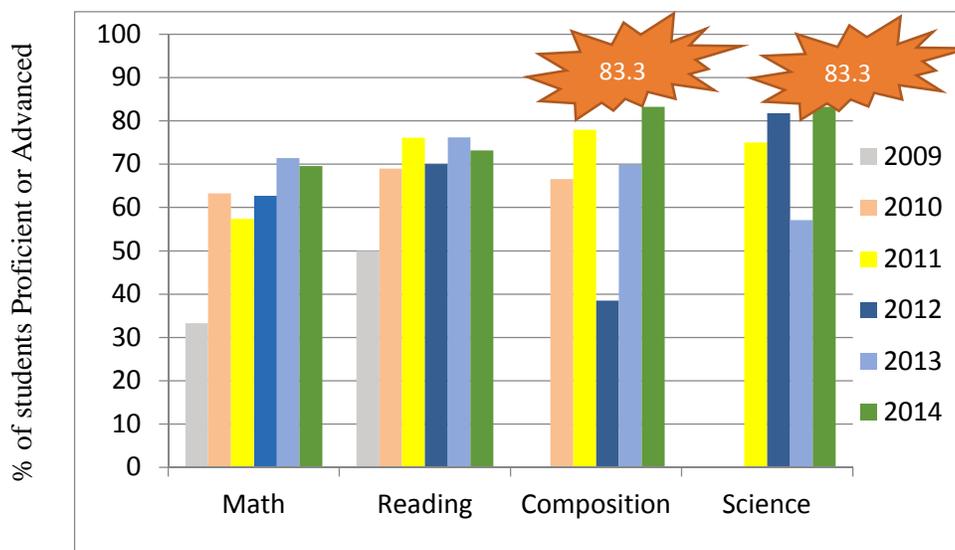
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Assessments (Continued)

LAMB has made a great deal of progress in recent years in preparing students to perform complex mathematical problems on the standardized test format of the annual DC CAS for 3rd through 5th graders, increasing from less than 35% proficient or advanced in 2009 to 69.6% proficient or advanced in 2014. Based on the PMF and the PCSB assessment, LAMB is a Tier 1 School.

DC-CAS Scores 2009-2014



New for SY 2014-2015, the District of Columbia instituted Partnership for Assessment and Readiness for College and Careers (PARCC) as its standardized state test. The PARCC annual tests are available in English language arts/literacy and mathematics for grades 3-8 and high school. The new assessments are supposed to serve as an “educational GPS system,” assessing students’ current performance, and pointing the way to what students need to learn by graduation so they are ready for college and/or a career.

PARCC Test results are not ready yet and are due to be released this Fall. This year’s test scores will not be used to report on student progress/performance. It is proposed that SY 2015-2016 be the first time that PARCC results be used as part of the City’s performance management framework.

Finally, accurate financial reporting is very important to LAMB’s success. Individual and corporate donors and families review financial reports for information on which to base their decision to grant funds to LAMB and/or to enroll their children in LAMB. LAMB’s governing body reviews financial statements monthly, note any irregularities or problem areas and counsel and make adjustments or corrections where needed to ensure the financial health and stability of the school.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Unique Accomplishments

In November 2013, LAMB achieved Tier 1 status for a third straight year based on PCSB rankings. This Tier 1 ranking, which indicates high standards of performance, is based on the 2013 results of the Performance Management Framework (PMF), PCSB's annual tool for assessing and monitoring charter school performance.

LAMB holds monthly Peace Ceremonies at each facility, usually at 9:00 am on the first Friday of the month at South Dakota and the last Friday of the month at Missouri. Peace Ceremonies are a time for all students to gather together and share what they have been learning with the entire school community as well as with families and friends. Presenting communities alternate monthly, with half of the communities presenting one month and the other half the following month.

LAMB held an International Children's Day to draw attention to the Kids Helping Kids campaign sponsored by the United Nations International Children's Emergency Fund (UNICEF). We encouraged students to come to school on October 31 dressed in international clothing or costumes that represent their own family heritage or any other culture of interest to the student. LAMB teachers shared stories and lessons about kids around the world. Families were encouraged to participate in the parade and also to provide healthy snacks from around the world for their child's class.

The Military Road School Preservation Trust and the United States Colored Troops Living History Association presented LAMB with a beautiful photo collage featuring the Military Road School. The collage is hung in the hallway of the historic building to help us remember the past as we prepare for the future.

Students in grades 3-5 participate in an annual overnight field trip at Echo Hill Outdoor School on the Eastern Shore of Maryland. This trip allowed children to experience living in community with nature. Students built cooperation and independence skills while learning about the Chesapeake Bay ecosystem.

LAMB hosted a delegation of educators from Panama who spent time meeting with staff and observing the classrooms. They were very interested in LAMB's inclusion model. Mongolia does not currently have a special education and related services infrastructure. The education ministry is very interested in English as a Second Language learners and afforded their teachers the opportunity to visit the US, specifically to visit schools with bilingual programs.

DC United worked with LAMB students after school, to not only improve soccer skills and encourage teamwork, but also provided nutrition education and mentoring.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Unique Accomplishments (Continued)

The ¡Arriba! Campaign took place for ten days in March 2015. This campaign was the single, major parent fundraiser of the school year, and it raised more than \$100,000 with 100% family participation. LAMB held its 3rd annual LAMB Winter Festival and Holiday Tree Sale. The festive event run by the PTO included a bake sale, hot chocolate and apple cider, kids' crafts and more. We had a great turnout, sold lots of items, enjoyed the bake sale/drinks, and the kids had a ball playing and making crafts!

LAMB was pleased to announce that the DC International School (DCI) opened in 2014-15 with the 6th and 7th grades. For two years, more than half its graduating classes annually have enrolled in DCI. DCI will employ the International Baccalaureate curriculum framework with a focus on language immersion. By adding a grade each year DCI will grow to 12th grade and graduate the first high school class in 2020. We are pleased that DCI will enable our students to continue their education past elementary school and through high school.

LAMB completed its 10 Year-Charter-Review in 2014 -2015. LAMB fully met all of its goals and student academic achievement expectations. LAMB was deemed in strong fiscal health, having neither materially violated the law nor its charter. The PCSB voted to grant full continuance to LAMB without condition.

In addition to meeting its 15 goals and academic achievement expectations, LAMB is academically high performing on PCSB's Performance Management Framework. It is one of few charter schools that has scored Tier One all four years that PCSB has used the Elementary/Middle School PMF to measure the performance of schools. Aside from academic proficiency, LAMB is meeting its mission and its school's suspension rate is lower than the state average.

As part of professional development, LAMB invests thousands of dollars annually in teacher and staff development. 2014-2015 was no different with more than \$70,000 devoted to professional development.

LAMB continues to participate in the Destination Imagination (DI) regional competition.

In the student lottery, LAMB received more than 820 applications for enrollment for school year 2015-2016.

LAMB held its biannual Parent Education Workshops in May, followed by an International Day of Dance and Around the World Lunch. The arts and PE teachers worked together again this year to create our annual Arts Festival with all LAMB elementary students. Primary students attended the event as audience members along with families and friends. Doors opened early to allow parents and visitors to view artwork and talk with student artists. The program included displays of student artwork, the opportunity for selected artists to talk with parents and visitors about their work, and musical and dance performances by elementary students.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Unique Accomplishments (Continued)

LAMB was fortunate to work with Compass for a final two-year Strategic Planning Project that will establish a long-term strategy as LAMB integrates multiple school sites. Compass team members interviewed key stakeholders (including staff, parents, and board members) and conducted research over the course of the year. In the second year they will guide the board through the strategic planning process.

LAMB participated in the 2015 DC Education Festival in January at the Washington Convention Center. In addition to learning about LAMB and other DC schools, visitors enjoyed youth arts and cultural performances and science demonstrations, participated in workshops, and enjoyed fun activities for the kids.

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to educating students. General and administrative costs pertain to supporting activities. Fundraising costs relate to fundraising activities such as special events, fundraisers and the soliciting of contributions.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

Direct costs, where identifiable, are allocated in whole to the appropriate functional category. Direct student expenses (textbooks, materials, instructional supplies, assessment material, contract educational services, and field trips) are allocated entirely to program services.

Personnel expenses for salaries, payroll taxes and employee benefit plans are allocated based on job descriptions and management estimates of time spent on particular activities. Personnel expenses for salaries are divided into employee categories (executive, teachers, other educational staff, etc.) and then a percentage of time devoted to program services, general and administrative activities, and fundraising activities is applied. All other personnel expenses (employee benefits, payroll taxes, staff development) are allocated based on the weighted average allocation of the direct salaries.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost, the allocation formula for personnel expenses is utilized for cost allocation purposes.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

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

(j) Fundraising:

During the years ended June 30, 2015 and 2014, expenses incurred for the purpose of fundraising were \$35,723 and \$44,017, respectively.

(k) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(l) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(m) Certificates of Deposit:

Certificates of deposit are other investments with original maturities greater than three months and are carried at original cost plus reinvested interest. The certificates of deposit do not qualify as securities as defined in Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments - Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

(n) Advertising Costs:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Advertising costs were incurred for the purpose of staff recruitment. Advertising and marketing expenses in the amount of \$2,165 and \$5,028 were incurred during the years ended June 30, 2015 and 2014, respectively.

(o) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB ASC No. 740-10 [(formerly Interpretation No. 48 (FIN 48)], *Accounting for Uncertainty in Income Taxes*, which is an interpretation of ASC 740's (formerly SFAS No. 109), *Accounting for Income Taxes*. FASB ASC No. 740-10 clarifies the accounting for uncertainty in income taxes recognized in Latin American Montessori Bilingual Public Charter School's financial statements in accordance with ASC 740's and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC No. 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Latin American Montessori Bilingual Public Charter School's tax return to determine whether the tax positions have a "more-likely-than-not" probability of being sustained by the applicable tax authority.

The Latin American Montessori Bilingual Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2015, the statute of limitations for tax years 2011 through 2013 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2015, the School had no accruals for interest and/or penalties.

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

Cash and Cash Equivalents:

Cash at June 30, 2015 and 2014 totaled \$2,444,682 and \$1,661,243, respectively, and consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Interest Bearing Checking Accounts	\$ 305,702	\$ 304,901
Money Market - Interest Bearing	253,558	251,810
Non-Interest Bearing Checking Accounts	952,120	349,398
Repurchase - Sweep Checking Account - Interest Bearing	931,302	753,134
Repurchase - Sweep Checking Account - Non-Interest Bearing	<u>2,000</u>	<u>2,000</u>
Total	<u>\$ 2,444,682</u>	<u>\$ 1,661,243</u>

Certificates of Deposit:

Certificates of Deposit are valued at original cost. Balances at year end consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Certificates of Deposit	<u>\$ 200,000</u>	<u>\$ 200,000</u>

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT: (Continued)

The Latin American Montessori Bilingual Public Charter School maintains its operating funds in five separate financial institutions. These checking accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per account category. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2015 and 2014, \$1,292,345 and \$711,914, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Latin American Montessori Bilingual Public Charter School was at risk for the funds held in excess of the insured amounts. The Charter 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.

The Latin American Montessori Bilingual Public Charter School has entered into a sweep-account agreement with Industrial Bank whereby on a daily basis at the close of business available funds are automatically invested into an interest bearing checking account. The amount transferred at the close of business on June 30, 2015 and 2014, respectively, was \$946,545 and \$760,490.

As a condition of the mortgage with M&T Bank, an amount of \$200,000 plus reinvested interest is required to be deposited into a reserve account for the purpose of debt service payments in the event the Latin American Montessori Bilingual Public Charter School lacks sufficient funds to make the required mortgage payments. Total cash restricted as of June 30, 2015 and 2014 was \$202,257 and \$200,756, respectively.

4. FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurements*, formerly FASB Statement No. 157, establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

Level 1 - Valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (such as interest note and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

4. FAIR VALUE MEASUREMENTS: (Continued)

Level 3 - Inputs to the valuation methodology are unobservable (Supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the organizations estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2015.

Interest Rate Swaps: Valued based on several market inputs such as interest rates, swap spreads and yield curves.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the organization's liabilities measured at fair value as of June 30, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Rate Swap	\$ -	\$ 168,142	\$ -	\$ 168,142
Total	<u>\$ -</u>	<u>\$ 168,142</u>	<u>\$ -</u>	<u>\$ 168,142</u>

The following table sets forth by level, within the fair value hierarchy, the organization's liabilities measured at fair value as of June 30, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Rate Swap	\$ -	\$ 125,645	\$ -	\$ 125,645
Total	<u>\$ -</u>	<u>\$ 125,645</u>	<u>\$ -</u>	<u>\$ 125,645</u>

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable:

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 24,625	\$ -
Extended Learning Day Program Fees	10,035	4,465
Reimbursable Expenses	4,132	4,267
Employees	510	382
Other	<u>1,766</u>	<u>481</u>
Total	<u>\$ 41,068</u>	<u>\$ 9,595</u>
<u>Grants Receivable</u>		
Quality Zone Academy Bonds - DC	\$ 25,546	\$ 25,546
Increasing Academic Quality	58,686	36,002
No Child Left Behind - Entitlement	22,434	8,874
Individuals with Disabilities Education Act	21,271	9,891
National School Lunch Program	14,218	16,305
Education of Homeless Children	10,800	5,400
State Schools Technology Fund	7,312	-
Community Service Block Grant	5,000	-
State Healthy Schools Act	1,165	1,453
State Farm to School Grant	1,099	-
Addressing Special Populations	-	83,135
Charter School - Replication and Growth	<u>-</u>	<u>3,201</u>
Total	<u>\$ 167,531</u>	<u>\$ 189,807</u>

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for the amounts owed to it through the year and at year end.

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2015 and 2014.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

Accounts and Grants Receivable: (Continued)

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable when payment has not been received after 180 days.

Promises Receivable:

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Historic Preservation	\$ 30,000	\$ 30,000
General	<u>3,925</u>	<u>5,185</u>
Total Promises Receivable	<u>\$ 33,925</u>	<u>\$ 35,185</u>

The above unconditional promises are due to be received within the next year.

6. FIXED ASSETS:

Furniture and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2015 and 2014 was \$298,783 and \$283,395, respectively. Capitalized interest has been recorded as an addition to buildings and improvements in the amount of \$97,927 during the year ended June 30, 2009. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2015:</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	15-39 Years	\$ 9,371,168	\$ 1,711,579	\$ 7,659,589
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>404,412</u>	<u>242,099</u>	<u>162,313</u>
Total		<u>\$ 10,496,580</u>	<u>\$ 1,953,678</u>	<u>\$ 8,542,902</u>

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

6. FIXED ASSETS: (Continued)

<u>June 30, 2014:</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	15-39 Years	\$ 9,290,524	\$ 1,472,898	\$ 7,817,626
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>332,228</u>	<u>199,055</u>	<u>133,173</u>
Total		<u>\$ 10,343,752</u>	<u>\$ 1,671,953</u>	<u>\$ 8,671,799</u>

7. OTHER ASSETS - FINANCING COSTS:

Loan origination fees and other expenses incurred to acquire loans are capitalized and amortized on a straight-line basis over the life of the loan. On June 26, 2013, the Latin American Montessori Bilingual Public Charter School refinanced and consolidated all existing loans into a single loan with M&T Bank. At the time of refinance, any remaining unamortized financing costs were expensed. Amortization expense related to these loan fees for the years ended June 30, 2015 and 2014 was \$14,775 and \$14,776, respectively.

<u>Description</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Book Value</u>	<u>Yearly Amortization</u>	<u>Period</u>
Loan Refinance	\$ 103,426	\$ 29,551	\$ 73,875	\$ 14,775	7 Years
Totals	<u>\$ 103,426</u>	<u>\$ 29,551</u>	<u>\$ 73,875</u>	<u>\$ 14,775</u>	

8. REFUNDABLE ADVANCES:

The Latin American Montessori Bilingual Public Charter School records cash receipts on grants in excess of costs incurred on grants as refundable advances until they are expended for the purposes of the grant at which time they are recognized as unrestricted support. The balance of refundable advances consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Per Pupil Funding - Summer School	\$ -	\$ 157,805
Mental Health Block Grant	<u>-</u>	<u>7,759</u>
Total	<u>\$ -</u>	<u>\$ 165,564</u>

9. INTEREST RATE SWAP:

On June 26, 2013, the Charter School entered into an interest rate swap agreement with the Manufacturers and Traders Bank (M & T Bank) for a notational amount equal to the obligation under the loan payable whereby a portion of the floating rate was swapped into a fixed rate. Under the agreement, the Charter School pays the bank interest at a fixed rate of 4.71% on the principal loan balance through the termination date of the sweep agreement, which is June 26, 2020.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

9. INTEREST RATE SWAP: (Continued)

The swap mechanism is intended to allow the School to realize the potential benefit of a lower fixed rate by reducing the impact of market changes in the variable interest rate. Interest expense related to the interest rate swap for the year ended June 30, 2015 \$116,029. At June 30, 2015 and 2014, the fair value of the interest rate swap was \$168,142 and \$125,645, respectively and has been reflected as a liability in the Statements of Financial Position.

10. LOANS PAYABLE:

Manufacturers and Traders Bank:

On June 26, 2013, the Latin American Montessori Bilingual Public Charter School entered into a term loan with the Manufacturers and Traders Bank (M & T Bank) in the amount of \$5,780,000. This note was for the purpose of consolidating and refinancing all existing debt as it related to the purchase and renovation of the building and land located at 1375 Missouri Avenue, NW. The proceeds were utilized to extinguish debt with United Bank, Building Hope and the Reinvestment Fund in the total amount of \$5,761,692, as well as assist in the financing of a portion of the related loan acquisition and closing costs in the amount of \$18,308. This note calls for consecutive monthly installments of principal and interest each payable over a seven (7) year period based on a twenty-five (25) year amortization.

Maturity on this mortgage is scheduled for June 26, 2020, at which point there is a balloon payment of any remaining outstanding principal and unpaid interest currently scheduled to be in the amount of \$4,772,739. Principal payments are to be made on a monthly basis with yearly level installments adjusted annually on the anniversary date of the loan. The initial monthly principal installment was due on July 26, 2013, in the amount of \$10,575. This note bears interest on a variable basis at two-and-one-half percentage points (2.50%) above the one-month LIBOR rate.

The School entered into an interest rate swap agreement with M & T Bank to hedge floating rate exposure. The seven (7) year swap rate that was fixed at settlement was 2.21%. The effect of coupling the one-month LIBOR rate with a swap agreement is a fixed rate of 4.71%. This loan is secured by the property located at 1375 Missouri Avenue, NW, Washington, DC, together with a security interest in the organization's assets. M & T Bank's security interest was recorded as the first deed of trust. As a condition of this loan, the School must maintain a debt service fund with M & T bank with a deposit in the amount of \$200,000.

As a provision of this loan, the School is permitted to prepay any portion or the principal balance, however they may be subject to a "breakage fee." In the event the swap rate at the time of payoff is lower than the seven (7) year rate established on the day of closing (currently 2.21%), the School would be required to pay an expense equal to the difference between 2.21% and the swap rate at the time of payoff for the number of years remaining in the agreement.

As required by this loan, the America's Charter School Finance Corporation, an affiliate of Building Hope, a Charter Schools Facility Fund, has provided a limited guarantee in the amount of \$340,000. The term of the guarantee is for a seven (7) year period or until the loan to value ratio reaches the standard 80% required by M & T Bank.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

10. LOANS PAYABLE: (Continued)

Manufacturers and Traders Bank: (Continued)

The balance of this loan at June 30, 2015 and 2014 was \$5,520,296 and \$5,653,10, respectively.

Future minimum required payments of principal and interest on this loan for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 398,915	\$ 138,312	\$ 260,603
2017	399,282	145,440	253,842
2018	398,969	152,220	246,749
2019	398,638	159,312	239,326
2020	<u>4,948,581</u>	<u>4,925,012</u>	<u>23,569</u>
Total	<u>\$ 6,544,385</u>	<u>\$ 5,520,296</u>	<u>\$ 1,024,089</u>

11. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The School was initially approved by the District of Columbia Board of Education and later reaffirmed by the District of Columbia Public Charter School Board, to operate a charter school in the District of Columbia. The contract dated September 19, 2001, provides for a 15-year charter, unless sooner terminated in accordance with the contract. The charter contract may be renewed for successive 15-year periods if the DCPCSB deems that the Latin American Montessori Bilingual Public Charter School is in compliance with its charter contract and District statutory provisions. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the charter every five years, with the most recent review occurring in the fall of 2014. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2015 and 2014, the Charter School incurred \$73,243 and \$29,757, respectively, in administrative fees.

The charter contract provides that the Latin American Montessori Bilingual Public Charter School may educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2015, was not permitted to be greater than 346 students. Audit enrollment for the 2014/2015 year averaged between 337 and 342 students and enrollment for the 2013/2014 year averaged between 314 and 320 students.

LATIN AMERICAN MONTESSORI BILINGUAL
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NOTES TO FINANCIAL STATEMENTS

12. PER-PUPIL FUNDING ALLOCATION:

The School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2015, the per-student rate ranged from \$9,492 to \$12,719 for the educational allotment and \$3,072 for the facility allotment. For the year ended June 30, 2014, the per-student rate ranged from \$9,306 to \$12,471 for the educational allotment and \$3,000 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2015 and 2014 was as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Grade Level - Pre-School - 5 th Grade	\$ 3,745,353	\$ 3,528,607
Special Education	586,904	486,404
Summer School	238,203	172,791
English as a Second Language	599,989	469,041
Facilities Allowance	1,050,624	960,000
At-Risk Students	<u>83,160</u>	<u>-</u>
Total	<u>\$ 6,304,233</u>	<u>\$ 5,616,843</u>

13. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2015 and 2014, the Latin American Montessori Bilingual Public Charter School participated in the following federal award programs:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Replication and Growth	\$ 196,799	\$ 157,516
Increasing Academic Quality	99,948	99,148
Addressing Special Populations	8,327	91,673
National School Lunch Program	78,006	80,680
Individuals with Disabilities Education Act (IDEA 611)	33,731	30,317
Individuals with Disabilities Education Act (IDEA 619)	1,721	1,348
Elementary and Secondary Education Act (Title II)	14,413	12,478
Elementary and Secondary Education Act (Title III)	14,380	14,898
Education of Homeless Children	5,400	5,400
Mental Health Grant	<u>27,759</u>	<u>2,241</u>
Total	<u>\$ 480,484</u>	<u>\$ 495,699</u>

Federal formula grants are allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding. Rather, NCLB funds provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education.

LATIN AMERICAN MONTESSORI BILINGUAL
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NOTES TO FINANCIAL STATEMENTS

13. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture. The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

14. COMMITMENTS:

Internet Access:

Comcast- Missouri Avenue

The Latin American Montessori Bilingual Public Charter School entered into an operating lease with Comcast to provide monthly internet and cable service. This lease calls for thirty-six (36) monthly payments of \$134 commencing on August 20, 2011, and expiring on August 19, 2014. Because of modifications made to the internet system, monthly required payments as of June 30, 2015, were increased to \$241. Rental expense for the years ended June 30, 2015 and 2014 was \$723 and \$2,918, respectively.

Comcast - Taylor Street

The Latin American Montessori Bilingual Public Charter School entered into an operating lease with Comcast to provide monthly internet and cable service. This lease called for twenty-four (24) monthly payments of \$129 commencing on October 13, 2011, and expiring on October 12, 2013. This lease continued on a month-to-month basis. Monthly required payments as of June 30, 2014, were \$393. Rental expense for the years ended June 30, 2015 and 2014 was \$1,584 and \$252, respectively.

Telephone Service:

The Latin American Montessori Bilingual Public Charter School entered into an operating lease with Broadview Networks to provide monthly unlimited telephone service. This lease calls for thirty-six (36) monthly payments of \$557 commencing on May 18, 2012, and expiring on May 17, 2015, with the option to extend the lease for additional one-year periods. Because of modifications made to the telephone system, monthly required payments as of June 30, 2013, were increased to \$596. This lease has continued on a month-to-month basis. Expense related to this lease for the years ended June 30, 2015 and 2014 was \$6,775 and \$7,311, respectively.

TYCO Integrated Security Leases:

The Latin American Montessori Bilingual Public Charter School has entered into four separate contracts with TYCO Integrated Security (formerly ADT) each with their own terms and expiration dates. Payments are required on a quarterly basis for Access Control, Burglar Alarm, Camera and Intercom, and Fire Alarm. Each contract is subject to escalation on a yearly anniversary date. If these leases are not cancelled thirty (30) days prior to expiration, they automatically renew for one full year. Quarterly payments required at June 30, 2015 and 2014 were \$3,706 and \$3,528, respectively. The expense related to these operating leases for the years ended June 30, 2015 and 2014 was \$14,354 and \$13,443, respectively.

LATIN AMERICAN MONTESSORI BILINGUAL
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NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS: (Continued)

Building Lease - 3825 18th Street (Taft Building):

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on May 1, 2013, with the Charter School Incubator Initiative (the sublessee) for the rental of a school facility located at 3825 18th Street, NE, in Washington, DC. The rental lease is effective for a fifteen-year period commencing on July 1, 2013, and expiring on June 30, 2028. The School has the right to cancel this agreement any time after June 30, 2018, provided that a one-year notification is given. As a requirement of this lease, a total rental security deposit of \$5,000 was to be made. This lease calls for quarterly lease payments of \$163,125 based on a total “Full Service Market Yearly Usage Fee” of \$652,500 for the entirety of the lease. This fee has been calculated using a full service market rate of \$29 per square foot. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. As a provision of this lease, the Latin American Montessori Bilingual Public Charter School has provided the Charter School Incubator Initiative a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises.

In addition to the sublease agreement, the Charter School Incubator Initiative (grantor) has provided a grant to the Latin American Montessori Bilingual Public Charter School to supplement the annual required usage fee. The grantor offers “Full Service Below Market Usage Fees” calculated as the number of students enrolled on each census date (October) multiplied by the per pupil facilities allowance provided by the District of Columbia Government (currently \$3,072 per student). The Charter School Incubator Initiative will provide a grant for the term of the sub-sublease (15 years) on an annual basis as the difference between the Full Service Market Usage Fee and the Full Service Below Market Usage Fee. Rent expense on this lease for the year ended June 30, 2015, was \$439,296, which consisted of required lease payments of \$652,500 and a rent subsidy of \$213,204. Rent expense on this lease for the year ended June 30, 2014, was \$369,000, which consisted of required lease payments of \$652,500 and a rent subsidy of \$283,500.

Future estimated required minimum rental lease payments as well as estimated rent subsidies for the next 5 years are as follows:

<u>Year Ending June 30,</u>	<u>Required Lease Payment</u>	<u>Grant Rent Subsidy</u>	<u>Net Payment</u>	<u>Projected Students</u>
2016	\$ 652,500	\$ 25,812	\$ 626,688	204
2017	652,500	25,812	626,688	204
2018	652,500	25,812	626,688	204
2019	652,500	25,812	626,688	204
2020	<u>652,500</u>	<u>25,812</u>	<u>626,688</u>	204
Totals	<u>\$ 3,262,500</u>	<u>\$ 129,060</u>	<u>\$ 3,133,440</u>	

LATIN AMERICAN MONTESSORI BILINGUAL
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15. RELATED PARTY TRANSACTIONS:

Business Transactions:

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on May 1, 2013, with the Charter School Incubator Initiative for the rental of a school facility located at 3825 18th Street, NE, in Washington, DC. The rental lease is effective for a fifteen (15) year period commencing on July 1, 2013, and expiring on June 30, 2028. A board member of the Latin American Montessori Bilingual Public Charter School is an officer on the board of the Charter School Incubator Initiative. Rental lease payments made to the Charter School Incubator Initiative for the years ended June 30, 2015 and 2014 was \$439,296 and \$369,000, respectively.

Contributions:

Various board members and employees of the Latin American Montessori Bilingual Public Charter School, organizations for which they are affiliated, and relatives of board members gave contributions to the organization in the amount of \$10,421 and \$5,000 during the years ended June 30, 2015 and 2014, respectively.

District of Columbia International School:

The Executive Director of the Latin American Montessori Bilingual Public Charter School serves as a board trustee of the District of Columbia International School. Total federal funds of \$71,799 and \$3,201 for the years ended June 30, 2015 and 2014 were passed through to the District of Columbia International School.

These transactions were conducted on an arm's length basis and there is no quid pro quo.

16. CONCENTRATIONS:

Revenues:

The Latin American Montessori Bilingual Public Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2015 and 2014, eighty-four percent (84%) and seventy-nine percent (79%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives state and federal foundation grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education) as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DC PCSB).

The Charter 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 as well as other DC Public Charter Schools.

LATIN AMERICAN MONTESSORI BILINGUAL
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17. CONTINGENCIES:

The Latin American Montessori Bilingual Public Charter School was granted its initial charter by the District of Columbia Board of Education and then later reaffirmed by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Latin American Montessori Bilingual Public Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the school's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's board of directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administration of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

18. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 25, 2015, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

Enrollment:

Enrollment for the 2015/2016 school year is projected to be approximately three hundred and seventy-four (374) students. These enrollment numbers are up from the current enrollment number three hundred and forty-two (342) students during the 2014/2015 school year.

19. RETIREMENT PLAN:

401(k) Profit Sharing Plan:

The Latin American Montessori Bilingual Public Charter School provides pension benefits for its employees through a defined contribution 401(k) retirement plan which is currently administered by John Hancock Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Provisions of the plan allow for the employees to contribute up to the statutory limits set by the Internal Revenue Code.

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19. RETIREMENT PLAN: (Continued)

401(k) Profit Sharing Plan: (Continued)

The School is required to make employer non-elective safe harbor contributions of 3% of annual employee compensation for employees with one or more years of employment. Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. Authorized entry dates into the plan are January 1st and July 1st following the date that the eligibility requirements are met. There is no unfunded past service liability. In addition, there is a discretionary profit sharing contribution determined on an annual basis that becomes fully vested after five years of service. The School's contributions for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
3% Safe Harbor	\$ 79,352	\$ 67,023
2% Profit Sharing	48,699	41,696
Plan Fee	<u>3,300</u>	<u>1,800</u>
Total	<u>\$ 131,351</u>	<u>\$ 110,519</u>

20. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Social Security/Medicare	\$ 276,104	\$ 247,961
Health Insurance	181,986	326,135
Health Reimbursement Account	56,843	-
Life and Disability Insurance	29,165	27,210
Retirement	131,351	110,519
Unemployment	23,912	25,492
Workers Compensation	13,597	12,147
De Minimus	<u>5,026</u>	<u>6,570</u>
Total	<u>\$ 717,984</u>	<u>\$ 756,034</u>

Flexible Benefits Plan:

The Latin American Montessori Bilingual Public Charter School adopted a Section 125 Flexible Benefits Plan (Cafeteria Plan). Under this plan, employees are permitted to use pre-tax benefit dollars through payroll deduction to pay for health and dental insurance premiums.

Health Reimbursement Account:

The Charter School adopted a Section 105 Health Reimbursement Account (HRA) effective August 1, 2014. Under this plan, employees are permitted to use employer provided tax-free dollars to pay for qualified health care expenses.

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21. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Depreciation	\$ 238,681	\$ 238,220
Amortization	14,775	14,776
Interest Expense	268,448	274,874
Rent	439,296	369,000
Insurance - Building	14,388	14,751
Janitorial Services/Supplies	95,162	87,858
Maintenance and Repairs	40,081	43,227
Grounds Maintenance	3,155	5,191
Utilities	76,467	68,817
Security	14,354	13,443
Trash Removal	3,314	3,068
Pest Control	<u>1,550</u>	<u>1,500</u>
Total	<u>\$ 1,209,671</u>	<u>\$ 1,134,725</u>

22. DISTRICT OF COLUMBIA INTERNATIONAL (DCI) SCHOOL:

The Latin American Montessori Bilingual Public Charter School in collaboration with four other District of Columbia Public Charter Schools is establishing an international public charter middle/high school within the District. Each of the collaborating schools has been characterized as having a rigorous academic program including a language immersion curriculum. There are currently no immersion middle-high school programs within the District that can support the language fluency of the students completing the elementary programs (French, Mandarin, and Spanish) of the collaborating schools. Each of the member schools entered into an amended and restated charter agreement with the Public Charter School Board; and the PCSB acknowledged the rights of the member schools to create DCI in order to extend their existing programs, and to assign their rights and responsibilities in relation to the middle/high school to DCI. For this purpose, a separate legal entity has been established with the corporate name of DC International School. During the years ended June 30, 2015 and 2014, the Latin American Montessori Bilingual Public Charter School contributed an amount of \$71,799 and \$48,201, respectively, for the purpose of pursuing the formation of this middle/high school. DCI opened and welcomed its first class of sixth- and seventh-graders in school year 2014/2015.

23. OTHER MATTERS:

Walter Reed Facility:

The former Walter Reed Army Medical Center (Walter Reed) was recommended for closure by the 2005 Base Closure and Realignment Commission. The property on which Walter Reed is located is to be disposed of by the Department of Defense according to the Defense Base Closure and Realignment Act of 1990. The LRA is the federally recognized local reuse authority. The LRA was required by the Base Closure Act to prepare a reuse plan and apply for an Economic Development Conveyance for the surplus property, approximately 66.57 acres. The remainder of the 110.1-acre WRAMC property will be redeveloped by the US Department of State.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

23. OTHER MATTERS: (Continued)

Walter Reed Facility: (Continued)

LAMB prepared a Notice of Interest and received notice from the LRA that it was unanimously recommending that LAMB be included in the final Walter Reed Reuse Plan. A Memorandum of Agreement between the Government of the District of Columbia and LAMB was executed in January 2012. The Walter Reed Local Redevelopment Authority (“LRA”) prepared the Homeless Assistance Submission, which was approved by the DC Council on July 10, 2012, signed by Mayor Vincent Gray and approved by the U.S. Department of Housing and Urban Development (“HUD”) on January 24, 2014, for the redevelopment of the surplus portion of the Walter Reed Army Medical Center (“WRAMC”), pursuant to the Base Closure Community Redevelopment and Homeless Assistance Act.

The Reuse Plan is a combination of land uses intended to enhance the existing neighborhood and open the site to the community. The use includes residential townhomes, condos/apartments, and 4-5 story multifamily apartment building), mixed use (residential/retail/office), institutional/corporate (Howard University among others) educational (2 DC Charter schools, one of which is LAMB), mixed use creative (live-work units, arts, learning), Fire House, and Open Space. There are structures that present a challenge to the reuse and redevelopment of the campus. The site does not have adequate storm water management. The site may contain bio-hazards. The site contains a power plant and an intricate network of above and below ground infrastructures, in addition to buildings with minor and major historic significance (identified by the Army as pre-1955)

LAMB is slated to share the old Delano Hall residential site. It is unclear when the property will be turned over to the City and when re-development can begin.

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015				June 30, 2014			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 350,618	\$ 236,619	\$ 99,374	\$ 14,625	\$ 430,702	\$ 303,815	\$ 113,305	\$ 13,582
Teachers' Salaries	1,453,193	1,453,193	-	-	1,277,519	1,277,519	-	-
Teachers' Aides/Assistants' Salaries	176,278	176,278	-	-	139,781	139,781	-	-
Other Educational Professional Salaries	1,100,347	1,100,347	-	-	1,012,096	1,012,096	-	-
Substitute Teacher Salaries	323,997	323,997	-	-	242,135	242,135	-	-
Clerical Salaries	219,019	181,418	37,601	-	205,212	170,297	34,915	-
Food Service Staff	21,725	21,725	-	-	19,849	19,849	-	-
Business Operation Salaries	112,424	65,613	38,795	8,016	192,640	103,816	72,834	15,990
Fiscal Salaries	88,680	-	88,680	-	85,200	-	85,200	-
Employee Benefits	417,968	395,899	19,551	2,518	482,581	448,221	30,306	4,054
Payroll Taxes	300,016	284,174	14,034	1,808	273,453	253,983	17,173	2,297
Staff Development Costs	75,852	72,282	3,570	-	67,257	62,997	4,260	-
Total Personnel, Salaries and Benefits	\$ 4,640,117	\$ 4,311,545	\$ 301,605	\$ 26,967	\$ 4,428,425	\$ 4,034,509	\$ 357,993	\$ 35,923
<u>Direct Student Costs:</u>								
Food Service	\$ 220,880	\$ 220,880	\$ -	\$ -	\$ 189,653	\$ 189,653	\$ -	\$ -
Student Supplies and Materials	140,370	140,370	-	-	173,916	173,916	-	-
Contracted Instructional/Student Services	-	-	-	-	600	600	-	-
Special Education	88,667	88,667	-	-	13,112	13,112	-	-
Before and After Care	-	-	-	-	5,400	5,400	-	-
Other Student Costs	69,614	69,614	-	-	186,210	186,210	-	-
Total Direct Student Costs	\$ 519,531	\$ 519,531	\$ -	\$ -	\$ 568,891	\$ 568,891	\$ -	\$ -
<u>Occupancy Costs:</u>								
Depreciation - Building	\$ 238,681	\$ 226,078	\$ 11,165	\$ 1,438	\$ 238,220	\$ 221,258	\$ 14,960	\$ 2,002
Amortization	14,775	13,995	691	89	14,776	13,724	928	124
Interest Expense - Building	268,448	254,273	12,557	1,618	274,874	255,303	17,262	2,309
Rent	439,296	416,100	20,549	2,647	369,000	369,000	-	-
Building Insurance	14,388	13,628	673	87	14,751	13,701	926	124
Utilities	76,467	72,429	3,577	461	68,817	63,917	4,322	578
Contracted Building Services	22,373	21,191	1,047	135	23,202	21,550	1,457	195
Maintenance and Repairs	40,081	37,964	1,875	242	43,227	40,149	2,715	363
Janitorial Service/Supplies	95,162	90,138	4,451	573	87,858	81,602	5,518	738
Total Occupancy Costs	\$ 1,209,671	\$ 1,145,796	\$ 56,585	\$ 7,290	\$ 1,134,725	\$ 1,080,204	\$ 48,088	\$ 6,433

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>				<u>June 30, 2014</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
Office Expenses:								
Office Supplies and Materials	\$ 18,204	\$ 17,242	\$ 852	\$ 110	\$ 21,944	\$ 20,382	\$ 1,378	\$ 184
Equipment Rental and Maintenance	12,158	11,516	569	73	11,346	10,538	713	95
Telecommunications	11,685	11,068	547	70	16,983	15,773	1,067	143
Postage and Shipping	475	450	22	3	1,051	976	66	9
Printing and Copying	4,522	4,283	212	27	5,330	4,950	335	45
Computer and Related	-	-	-	-	2,591	2,406	163	22
Marketing and Promotion	2,165	2,165	-	-	5,028	5,028	-	-
Total Office Expenses	\$ 49,209	\$ 46,724	\$ 2,202	\$ 283	\$ 64,273	\$ 60,053	\$ 3,722	\$ 498
General Expenses:								
Insurance	\$ 12,314	\$ 11,664	\$ 576	\$ 74	\$ 13,724	\$ 12,748	\$ 861	\$ 115
Meeting Expenses	4,672	4,426	218	28	5,860	5,443	368	49
Licenses and Permits	2,564	2,429	120	15	4,757	4,418	299	40
Dues and Subscriptions	34,969	33,123	1,635	211	26,196	24,331	1,644	221
Travel	21,008	19,898	983	127	22,761	21,141	1,429	191
Accounting and Legal Services	34,497	9,597	24,900	-	31,394	7,194	24,200	-
Payroll Service Fee	10,475	9,922	490	63	9,577	8,896	601	80
Authorizer Fee	73,243	-	73,243	-	29,757	-	29,757	-
Investment in DCI Charter School	71,799	71,799	-	-	48,201	48,201	-	-
Depreciation	60,102	56,928	2,812	362	45,175	41,958	2,837	380
Office Expense	19,775	18,556	916	303	10,335	9,599	649	87
Total General Expenses	\$ 345,418	\$ 238,342	\$ 105,893	\$ 1,183	\$ 247,737	\$ 183,929	\$ 62,645	\$ 1,163
TOTAL FUNCTIONAL EXPENSES	\$ 6,763,946	\$ 6,261,938	\$ 466,285	\$ 35,723	\$ 6,444,051	\$ 5,927,586	\$ 472,448	\$ 44,017

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF AVERAGE COST PER STUDENT
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

June 30, 2015		
	Total Cost	Average Cost Per Student
Instructional	\$ 5,116,142	\$ 14,959
Occupancy Cost	1,209,671	3,537
General and Administrative	409,700	1,198
Fundraising	28,433	83
Total	\$ 6,763,946	\$ 19,777

The above is the average per student cost for the year ended June 30, 2015, and is based on a full time equivalent (FTE) enrollment of 342 students.

June 30, 2014		
	Total Cost	Average Cost Per Student
Instructional	\$ 4,847,382	\$ 15,438
Occupancy Cost	1,080,204	3,440
General and Administrative	472,448	1,505
Fundraising	44,017	140
Total	\$ 6,444,051	\$ 20,523

The above is the average per student cost for the year ended June 30, 2014, and is based on a full time equivalent (FTE) enrollment of 314 students.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC

Certified Public Accountants

The Board of Directors
Latin American Montessori Bilingual
Public Charter School, Inc.
1375 Missouri Avenue NW
Washington, DC 20011

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*

We have audited, 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, the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., (a nonprofit organization), 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 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Latin American Montessori Bilingual Public Charter School, Inc.'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 Latin American Montessori Bilingual Public Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

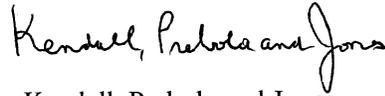
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Latin American Montessori Bilingual Public Charter School, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
November 25, 2015

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no audit findings in the prior year.

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., were disclosed during the audit.

II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards

There were no findings in the current year.