

**Latin American Montessori Bilingual
Public Charter School**



**Financial Statements and
Auditor's Report**

For the years ended June 30, 2016 and 2015

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

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, 2016 and 2015, 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, 2016 and 2015, 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.

Report on Supplementary Information

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 October 6, 2016, 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
October 6, 2016

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,201,016	\$ 2,442,425
Accounts Receivable	18,890	41,068
Grants Receivable	177,978	167,531
Promises Receivable	5,217	33,925
Prepaid Expenses	58,625	58,744
Current Portion - Deferred Financing Costs	<u>14,775</u>	<u>14,775</u>
Total Current Assets	<u>\$ 3,476,501</u>	<u>\$ 2,758,468</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 8,299,001</u>	<u>\$ 8,542,902</u>
Total Fixed Assets	<u>\$ 8,299,001</u>	<u>\$ 8,542,902</u>
<u>Other Assets:</u>		
Cash Restricted for Long-Term Purposes	\$ 203,005	\$ 202,257
Interest Receivable	933	-
Deferred Financing Costs, Net of Amortization	59,100	73,875
Less: Current Portion	(14,775)	(14,775)
Deposits	<u>53,556</u>	<u>5,500</u>
Total Other Assets	<u>\$ 301,819</u>	<u>\$ 266,857</u>
TOTAL ASSETS	<u>\$ 12,077,321</u>	<u>\$ 11,568,227</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 99,707	\$ 152,995
Accrued Interest Payable	3,521	3,611
Accrued Salary and Vacation	575,154	521,882
Payroll Withholdings and Related Liabilities	132,900	114,926
Deferred Revenues	70,260	23,325
Current Portion - Long-Term Debt	<u>145,440</u>	<u>138,312</u>
Total Current Liabilities	<u>\$ 1,026,982</u>	<u>\$ 955,051</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 5,381,984	\$ 5,520,296
Less: Current Portion	(145,440)	(138,312)
Interest Rate Swap	<u>302,523</u>	<u>168,142</u>
Total Long-Term Liabilities	<u>\$ 5,539,067</u>	<u>\$ 5,550,126</u>
Total Liabilities	<u>\$ 6,566,049</u>	<u>\$ 6,505,177</u>
<u>Net Assets:</u>		
Unrestricted	\$ 5,501,765	\$ 5,053,282
Board Designated - PTO	9,507	6,568
Temporarily Restricted	<u>-</u>	<u>3,200</u>
Total Net Assets	<u>\$ 5,511,272</u>	<u>\$ 5,063,050</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,077,321</u>	<u>\$ 11,568,227</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, 2016 AND 2015

	<u>June 30, 2016</u>			<u>June 30, 2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support:</u>						
Per Pupil Funding Allocation	\$ 5,396,364	\$ -	\$ 5,396,364	\$ 5,253,609	\$ -	\$ 5,253,609
Per Pupil Funding Allocation - Facilities Allotment	1,207,289	-	1,207,289	1,050,624	-	1,050,624
Federal Entitlements and Grants	302,326	-	302,326	480,484	-	480,484
State Grants - District of Columbia	75,834	-	75,834	16,759	-	16,759
Private Grants and Contributions	108,861	22,950	131,811	122,894	25,800	148,694
Student Fees	113,422	-	113,422	68,125	-	68,125
Extended Learning Day Program Fees	524,177	-	524,177	455,764	-	455,764
Interest and Dividends	8,765	-	8,765	3,530	-	3,530
Loss on Disposal of Fixed Assets	-	-	-	(348)	-	(348)
<u>Fundraisers:</u>						
Sales	\$ 22,667	\$ -	\$ 22,667	\$ 14,835	\$ -	\$ 14,835
Less: Cost of Direct Benefits to Donors	<u>(12,880)</u>	<u>-</u>	<u>(12,880)</u>	<u>(8,019)</u>	<u>-</u>	<u>(8,019)</u>
Net Revenue from Fundraisers	<u>\$ 9,787</u>	<u>\$ -</u>	<u>\$ 9,787</u>	<u>\$ 6,816</u>	<u>\$ -</u>	<u>\$ 6,816</u>
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>26,150</u>	<u>(26,150)</u>	<u>-</u>	<u>82,600</u>	<u>(82,600)</u>	<u>-</u>
Total Revenues and Other Support	<u>\$ 7,772,975</u>	<u>\$ (3,200)</u>	<u>\$ 7,769,775</u>	<u>\$ 7,540,857</u>	<u>\$ (56,800)</u>	<u>\$ 7,484,057</u>
<u>Expenses:</u>						
Educational Services	\$ 6,788,231	\$ -	\$ 6,788,231	\$ 6,261,938	\$ -	\$ 6,261,938
Fundraising	25,531	-	25,531	35,723	-	35,723
General and Administrative	<u>373,410</u>	<u>-</u>	<u>373,410</u>	<u>466,285</u>	<u>-</u>	<u>466,285</u>
Total Expenses	<u>\$ 7,187,172</u>	<u>\$ -</u>	<u>\$ 7,187,172</u>	<u>\$ 6,763,946</u>	<u>\$ -</u>	<u>\$ 6,763,946</u>
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 585,803	\$ (3,200)	\$ 582,603	\$ 776,911	\$ (56,800)	\$ 720,111
Changes in Fair Value of Interest Rate Swap	<u>\$ (134,381)</u>	<u>\$ -</u>	<u>\$ (134,381)</u>	<u>\$ (42,497)</u>	<u>\$ -</u>	<u>\$ (42,497)</u>
Change in Net Assets	\$ 451,422	\$ (3,200)	\$ 448,222	\$ 734,414	\$ (56,800)	\$ 677,614
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 5,511,272</u>	<u>\$ -</u>	<u>\$ 5,511,272</u>	<u>\$ 5,059,850</u>	<u>\$ 3,200</u>	<u>\$ 5,063,050</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, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 448,222	\$ 677,614
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	307,056	298,783
Loss on Disposal of Fixed Assets	-	348
Amortization - Loan Acquisition Costs	14,775	14,775
Unrealized Loss/(Gain) on Interest Rate Swap	134,381	42,497
Deposits - (Increase)/Decrease	(48,056)	16,354
Accounts Receivable - (Increase)/Decrease	22,178	(31,473)
Grants Receivable - (Increase)/Decrease	(10,447)	22,276
Promises Receivable - (Increase)/Decrease	28,708	1,260
Prepaid Expenses - (Increase)/Decrease	119	9,862
Interest Receivable - (Increase)/Decrease	(933)	-
Accounts Payable - Increase/(Decrease)	(53,288)	99,819
Accrued Interest Payable - Increase/(Decrease)	(90)	(87)
Accrued Salary and Vacation - Increase/(Decrease)	53,272	57,882
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	17,974	18,806
Refundable Advances - Increase/(Decrease)	-	(165,564)
Deferred Fees - Increase/(Decrease)	<u>46,935</u>	<u>23,325</u>
Net Cash Flows from Operating Activities	<u>\$ 960,806</u>	<u>\$ 1,086,477</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (63,155)	\$ (170,234)
Purchase of Certificates of Deposit	(203,000)	-
Proceeds from Cash - Restricted for Collateral	3,000	-
Proceeds on Sale of Certificates of Deposit	<u>200,000</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (63,155)</u>	<u>\$ (170,234)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes	\$ (138,312)	\$ (132,804)
Interest Restricted for Debt Service	<u>(748)</u>	<u>(1,501)</u>
Net Cash Flows from Financing Activities	<u>\$ (139,060)</u>	<u>\$ (134,305)</u>
Net Increase in Cash and Cash Equivalents	\$ 758,591	\$ 781,938
Cash and Cash Equivalents at Beginning of Year	<u>2,442,425</u>	<u>1,660,487</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,201,016</u>	<u>\$ 2,442,425</u>

Supplemental Disclosures:

- a) No income taxes were paid during the years ended June 30, 2016 and 2015.
- b) Interest in the amount of \$262,026 and \$267,068, respectively, was paid during the years ended June 30, 2016 and 2015.

(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 5th 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, *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. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

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 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 5th 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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. 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, 2016.

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, *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 \$9,507 and \$6,568 as of June 30, 2016 and 2015, 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, 2016</u>	<u>June 30, 2015</u>
CHISPA Project	\$ -	\$ 3,200
Total	<u>\$ -</u>	<u>\$ 3,200</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, 2016</u>	<u>June 30, 2015</u>
Art Education	\$ 10,000	10,000
CHISPA Project	8,200	\$ 1,800
After School Tutoring	7,950	10,800
History Preservation	<u>-</u>	<u>60,000</u>
Total Released	<u>\$ 26,150</u>	<u>\$ 82,600</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, 2016 and 2015.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

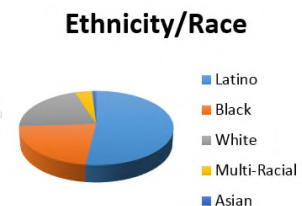
(f) Donated Services and Materials: (Continued)

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.

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. There are no donated services and materials recorded in the financial statements as of June 30, 2016 and 2015.

(g) Basic Programs:

LAMB was incorporated as a non-profit 501 (c) (3) in 2001 and recognized as exempt under section 501(c) (3) of the Internal Revenue Code in 2003, the year it first opened with 57 students (3- and 4-year-olds). Today, LAMB has 374 students (Latino 52%, Black 22%, White 21%, Multi-racial 4%, Asian 1%). Twenty-nine percent of LAMB students are eligible for free- and reduced lunch, 49% are English language learners and 14% are students with special needs.



There are other Montessori schools (chartered, traditional, private) in the District of Columbia but LAMB is the only public, chartered, Montessori, bilingual, primary and elementary education school in the tri-state area and one of only a few nationally. LAMB is audited annually, has a valid Business License, and Certificate of Clean Hands. LAMB is accredited by Middle States of Colleges and Schools and recognized by the DC Public Charter School Board as a Tier 1 school.

Leadership/governance of the organization and their respective roles

LAMB is governed by an all-volunteer Board of Directors. The Board is responsible for school governance, strategic planning, major policy decisions, ensuring compliance with federal and state law, fulfilling charter contract with the DC Public Charter School Board, including academic, financial, legal and fiduciary, and hiring and evaluating the executive director. School leadership or management is conducted by co-founders and senior administrators Cottman and Encinas lead a staff of 75 in two facilities. Management/administration is paid staff and responsible for the day-to-day school operations; i.e., operationalizing school mission: instruction, curriculum, development, student assessment, school climate, non-academic, school safety and human resources school-wide.

Basic Programming

LAMB serves children PK3 to 5th grade. 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 and the oldest within the group.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

Basic Programming (Continued)

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. Our purpose is to create a bilingual school environment that enables students to learn in a self-directed manner. In order to accomplish our mission, LAMB utilizes the Montessori philosophy and pedagogy to provide children with an environment of academic excellence that celebrates their cultures and languages and leaves no question about their value as a human being.

In order to ensure full bilingual capacity upon graduation, LAMB only enrolls children at the primary level and expands proportionally, as children age through the elementary program. There are two teachers in each class. LAMB's dual language immersion program is attractive to English language learners and monolingual families alike. Students with special needs learn in the least restrictive environment, and a team of specialists guided by a Special Education Coordinator ensures that that students' Individualized Education Plans are fully implemented.

LAMB operates 180 school days, 30 minutes longer than some other schools (8:30 - 3:00 for primary 8:15 - 3:30 for elementary), plus an additional four weeks during the summer. LAMB also offers an Extended Learning Day Program which provides an opportunity for at-risk students to be engaged in an additional 2.5 hours daily to work on targeted skills improvement and engage in supervised extra-curricular activities, including STEM, sports and arts activities.

LAMB operates from two sites: 1375 Missouri Avenue, N.W. in Ward 4 and 1800 Perry Street N.E. in Ward 5. Over the next 10 years, LAMB will grow to serve 600 students, and expand to Walter Reed for a third site. Each site will serve approximately 180 to 220 students.

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 Montessori classes conducted in English and Spanish. LAMB is multi-lingual, but the two major mother languages spoken at LAMB are English and Spanish. The students' native languages, English or Spanish, are enriched by their acquisition of a second, and in some instances a third language. For nearly one hundred years Maria Montessori's educational techniques have been successfully used in dual language schools throughout Europe, Africa, and Asia.

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)

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 5th 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 3rd grade. Mission-related goals focus on developing oral reading fluency in Spanish and English and comprehension skills in both languages.

LAMB has two teachers in each class, at least one of whom is highly qualified (Praxis II or HOUSSSE). Classes are designed to allow children to self-select educational materials and workstations that reflect their inner drives for learning. Teachers are trained to observe students to determine their interests, record progress and/or skills that need strengthening using COMPASS, 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.

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 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.

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.

Parent Involvement

When a new student enters LAMB, a family, rather than an individual, has joined LAMB. By virtue of their age, students must be escorted to school. This gives LAMB two opportunities 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. Parental involvement is also encouraged through a parent education program. Parents can participate in workshops on topics such as Montessori education, dual language immersion, and behavior management. LAMB conducts parent satisfaction surveys following these events and alters and develops future parent education sessions based on interest and need. LAMB also has an active PTO which fundraises for its own operational costs and to support school operations.

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

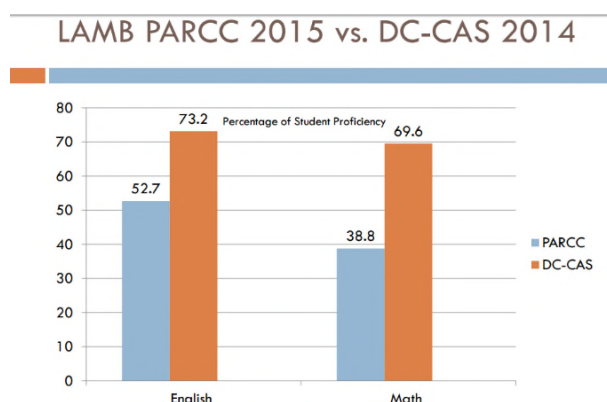
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

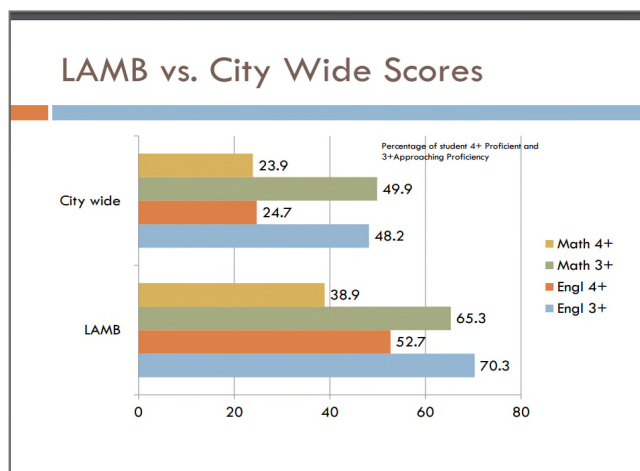
Assessments

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.

The District of Columbia is transitioning from the standardized test, the DC Comprehensive Assessment System, better known as the DC CAS to Partnership for Assessment and Readiness for College and Careers (PARCC), the high stakes test mandated and managed by the Office of the State Superintendent of Education (OSSE). The PARCC is available in English language arts/literacy and mathematics for grades 3-8 and high school. PARCC is a measure of accountability for all public and charter schools in the District of Columbia. It is a new assessment, implemented for the first time last year to all public schools in DC to provide a common way of measuring how students are learning regardless of their ethnicity and or zip code.



There were many discussions regarding PARCC, its effectiveness, on-line exam format, and more. The consensus is that it is a much more robust exam with higher metric for proficiency. The last date for which there are official PARCC results is 2014-2015. New test results were recently released but are embargoed and still be validating. Below are LAMB's results for that year compared to city wide test results.



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)

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.

Unique Accomplishments

LAMB achieved Tier 1 status for a fourth 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's Upper Elementary teacher, Sarah Tupper, was named 2016 Most Outstanding Elementary Teacher of the Year by the DC Association of Chartered Public Schools.

LAMB was reviewed for Middle States re-accreditation. The Validation Team recommended LAMB be re-accredited for 7 years and concluded that:

- LAMB meets all 12 standards of accreditation,
- LAMB meets requirements of the Excellence by Design Protocol, which includes strategic planning, culture of accountability for student performance and involvement of a broad spectrum of stakeholders in defining vision, developing the means to get closer to that vision, and designing and implementing action plans to achieve that vision.

The ¡Arriba! Campaign 2016 was a success. This campaign was the single, major parent fundraiser of the school year. More than \$93,000 in donations were made and pledged and 100% of families participated. 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 completed its Five-Year Strategic Plan. By 2020, LAMB will have achieved:

- Enhanced Professional Development,
- Increased Operational Effectiveness,
- Clear Growth Matrix and Facilities Development Plan,
- Increased Academic Achievement for ALL 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)

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.

LAMB continues to participate in the Destination Imagination (DI) regional competition. For the third year, LAMB sent teams of students to compete in the Maryland Regional Destination Imagination Challenge.

There's no DI in the District so we compete in Maryland. The Destination Imagination program is a fun, hands-on system of learning that fosters students' creativity, courage and curiosity through open-ended academic Challenges in the fields of STEM (science, technology, engineering and mathematics), fine arts and service learning. Our participants learn patience, flexibility, persistence, ethics, respect for others and their ideas, and the collaborative problem solving process. We sent winning teams. One team won first place in regional and attended the state finals. Each of the other two teams placed second. The students are part of our Extended Learning Day Program and have been practicing after school since the start of the school year. They competed in three categories, did a phenomenal job, and were supported by lots of parents, staff and other students.

In the student lottery, LAMB received 909 eligible applications for enrollment in School Year 2016-2017.

School Year 2016-2017 Lottery Breakdown	
560	PK3 lottery applications received
290	PK4 lottery applications received
59	Ineligible lottery applications received
909	Total eligible lottery applications received
12	Open Slots (prior to enrollment ceiling increase)
34	Siblings of current students enrolling
9%	Of all applicants were siblings

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures: (Continued)

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.

(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) 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.

(k) 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) 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.

(m) 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. These reclassifications had no effect on the change in the net assets or to total net assets from the prior years.

2. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Latin American Montessori Bilingual Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2016, 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, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization 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, 2016, the Charter 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, 2016 and 2015 totaled \$3,201,021 and \$2,444,682, respectively, and consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Interest Bearing Checking Accounts	\$ 1,173,734	\$ 305,702
Savings Account - Interest Bearing	1,005,743	-
Money Market - Interest Bearing	251,475	253,558
Non-Interest Bearing Checking Accounts	210,887	952,120
Repurchase - Sweep Checking Account		
- Interest Bearing	557,182	931,302
Repurchase - Sweep Checking Account		
- Non-Interest Bearing	<u>2,000</u>	<u>2,000</u>
Total	<u>\$ 3,201,021</u>	<u>\$ 2,444,682</u>

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

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

Certificates of Deposit

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Certificates of Deposit	\$ <u>203,000</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.

The Latin American Montessori Bilingual Public Charter School maintains its operating funds in six separate financial institutions. These 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, 2016 and 2015, \$1,871,373 and \$1,292,345, 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, 2016 and 2015, respectively, was \$554,298 and \$946,545.

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, 2016 and 2015 was \$203,005 and \$202,257, respectively.

4. FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC Topic No. 820-10, *Fair Value Measurements*, 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).

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

4. FAIR VALUE MEASUREMENTS: (Continued)

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 rate and yield curves);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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 organization's 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, 2016.

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 tables set forth by level, within the fair value hierarchy, the organization's liabilities measured at fair value as of June 30, 2016 and 2015.

June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Rate Swap	\$ -	\$ 302,523	\$ -	\$ 302,523
Total	\$ -	\$ 302,523	\$ -	\$ 302,523

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

4. FAIR VALUE MEASUREMENTS: (Continued)

<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Rate Swap	\$ -	\$ 168,142	\$ -	\$ 168,142
Total	\$ -	\$ 168,142	\$ -	\$ 168,142

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, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 16,433	\$ 24,625
Extended Learning Day Program Fees	1,502	10,035
Reimbursable Expenses	-	4,132
Employees	180	510
Other	<u>775</u>	<u>1,766</u>
Total	<u>\$ 18,890</u>	<u>\$ 41,068</u>
<u>Grants Receivable</u>		
Quality Zone Academy Bonds - DC	\$ 79,183	\$ 25,546
Increasing Academic Quality	48,006	58,686
No Child Left Behind - Entitlement	19,407	22,434
National School Lunch Program	14,896	14,218
Individuals with Disabilities Education Act	13,992	21,271
State Farm Field Trip Grant	1,286	-
State Healthy Schools Act	1,208	1,165
Education of Homeless Children	-	10,800
State Schools Technology Fund	-	7,312
Community Service Block Grant	-	5,000
State Farm to School Grant	<u>-</u>	<u>1,099</u>
Total	<u>\$ 177,978</u>	<u>\$ 167,531</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.

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

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

Accounts and Grants Receivable (Continued)

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, 2016 and 2015.

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, 2016</u>	<u>June 30, 2015</u>
Historic Preservation	\$ -	\$ 30,000
General	<u>5,217</u>	<u>3,925</u>
Total Promises Receivable	<u>\$ 5,217</u>	<u>\$ 33,925</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, 2016 and 2015 was \$307,056 and \$298,783, 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.

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

6. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2016:

	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building and Improvements	10-39 Years	\$ 9,398,518	\$ 1,954,168	\$ 7,444,350
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>440,217</u>	<u>306,566</u>	<u>133,651</u>
Total		<u>\$ 10,559,735</u>	<u>\$ 2,260,734</u>	<u>\$ 8,299,001</u>

June 30, 2015:

	<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>

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, 2016 and 2015 was \$14,775.

<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	\$ 44,326	\$ 59,100	\$ 14,775	7 Years
Totals	<u>\$ 103,426</u>	<u>\$ 44,326</u>	<u>\$ 59,100</u>	<u>\$ 14,775</u>	

8. 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 notional 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 swap agreement, which is June 26, 2020.

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

8. 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 years ended June 30, 2016 and 2015 was \$105,476 and \$116,029, respectively. At June 30, 2016 and 2015, the fair value of the interest rate swap was \$302,523 and \$168,142, respectively and has been reflected as a liability in the Statements of Financial Position.

9. 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 plus reinvested interest.

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.

The balance of this loan at June 30, 2016 and 2015 was \$5,381,984 and \$5,520,296, respectively.

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

9. LOANS PAYABLE: (Continued)

Manufacturers and Traders Bank: (Continued)

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

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 6,145,470</u>	<u>\$ 5,381,984</u>	<u>\$ 763,486</u>

10. 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 District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the School's fiscal management and academic acceptability. 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, 2016 and 2015, the Charter School incurred \$78,254 and \$73,243, 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, 2016, was not permitted to be greater than 374 students. Audit enrollment for the 2015/2016 year averaged between 372 and 374 students and enrollment for the 2014/2015 year averaged between 337 and 342 students.

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

11. 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, 2016, the per-student rate ranged from \$9,492 to \$12,719 for the educational allotment and \$3,124 for the facility allotment. 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. Additional allotments were made for Special Education Services and English as a Second Language. Per-pupil funding for the years ended June 30, 2016 and 2015 was as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Grade Level - Pre-School - 5 th Grade	\$ 4,072,258	\$ 3,745,353
Special Education	534,821	586,904
Summer School	50,816	238,203
English as a Second Language	651,151	599,989
Facilities Allowance	1,207,289	1,050,624
At-Risk Students	<u>87,318</u>	<u>83,160</u>
Total	<u>\$ 6,603,653</u>	<u>\$ 6,304,233</u>

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2016 and 2015, the Latin American Montessori Bilingual Public Charter School participated in the following federal award programs:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Donated Commodities	\$ 5,602	\$ -
Replication and Growth	100,000	196,799
Increasing Academic Quality	38,407	99,948
Addressing Special Populations	-	8,327
National School Lunch Program	82,443	78,006
Individuals with Disabilities Education Act (IDEA 611)	40,975	33,731
Individuals with Disabilities Education Act (IDEA 619)	987	1,721
Elementary and Secondary Education Act (Title II)	18,288	14,413
Elementary and Secondary Education Act (Title III)	10,624	14,380
Education of Homeless Children	-	5,400
Mental Health Grant	<u>5,000</u>	<u>27,759</u>
Total	<u>\$ 302,326</u>	<u>\$ 480,484</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.

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

12. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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.

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.

13. COMMITMENTS:

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, 2016 and 2015 was \$6,848 and \$6,775, respectively.

TYCO Integrated Security Leases:

The Latin American Montessori Bilingual Public Charter School 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, 2016 and 2015 were \$3,895 and \$3,706, respectively. The expense related to these operating leases for the years ended June 30, 2016 and 2015 was \$15,092 and \$14,354, respectively.

Building Lease - 3825 18th Street (Charter School Incubator Initiative):

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.

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

13. COMMITMENTS: (Continued)

Building Lease - 3825 18th Street (Charter School Incubator Initiative): (Continued)

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 \$3,124 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, 2016, was \$634,172, which consisted of required lease payments of \$652,500 and a rent subsidy of \$18,328. 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.

Building Lease - 3825 18th Street (Perry Street Prep):

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on June 23, 2016, with the Perry Street Prep Public Charter School (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 twelve-year period commencing on July 1, 2016, 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 \$48,140 was to be made. This lease calls for quarterly lease payments of \$72,210 based on a total “Full Service Market Yearly Usage Fee” of \$288,840 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 Perry Street Prep Public Charter School 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. There was no rent expense on this lease for the year ended June 30, 2016.

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

13. COMMITMENTS: (Continued)

Building Lease - 3825 18th Street (Perry Street Prep): (Continued)

Future required minimum rental lease payments for the next 5 years are as follows:

<u>Year Ending June 30,</u>	<u>Required Lease Payment</u>
2017	\$ 288,840
2018	288,840
2019	288,840
2020	288,840
2021	<u>288,840</u>
Totals	<u>\$ 1,444,200</u>

Unsecured Credit Card:

The Latin American Montessori Bilingual Public Charter School utilizes a credit card issued by Bank of America for purchases related to the Organization's activity. The credit card is issued in the name of the Charter School with an unsecured credit limit of \$25,000.

14. 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, 2016 and 2015 was \$634,172 and \$439,296, 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 \$9,098 and \$10,421 during the years ended June 30, 2016 and 2015, respectively.

District of Columbia International School:

The Executive Director of the Latin American Montessori Bilingual Public Charter School served as a board trustee of the District of Columbia International School. Total federal funds of \$75,000 and \$71,799 for the years ended June 30, 2016 and 2015, respectively, were passed through to the District of Columbia International School.

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

14. RELATED PARTY TRANSACTIONS: (Continued)

Board Members:

Some of the Board Members have children that are currently enrolled in the Latin American Montessori Bilingual Public Charter School.

15. 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, 2016 and 2015, eighty-five percent (85%) and eighty-four percent (84%), 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.

16. 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.

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

16. CONTINGENCIES: (Continued)

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.

17. SUBSEQUENT EVENTS:

Financial Statement Preparation:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 6, 2016, 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 2016/2017 school year is projected to be approximately four hundred and twenty (420) students. These enrollment numbers are up from the current enrollment number three hundred and seventy-four (374) students during the 2015/2016 school year.

18. FUNDRAISING:

During the years ended June 30, 2016 and 2015, expenses incurred for the purpose of fundraising were \$25,531 and \$35,723, respectively.

19. 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 \$4,858 and \$2,165 were incurred during the years ended June 30, 2016 and 2015, respectively.

20. 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.

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

20. 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, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
3% Safe Harbor	\$ 94,909	\$ 79,352
2% Profit Sharing	54,706	48,699
Plan Fee	<u>1,800</u>	<u>3,300</u>
Total	<u>\$ 151,415</u>	<u>\$ 131,351</u>

21. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Social Security/Medicare	\$ 284,699	\$ 276,104
Health Insurance	193,683	181,986
Health Reimbursement Account	74,972	56,843
Life and Disability Insurance	31,599	29,165
Retirement	151,415	131,351
Unemployment	25,585	23,912
Workers Compensation	15,208	13,597
De Minimus	<u>7,618</u>	<u>5,026</u>
Total	<u>\$ 784,779</u>	<u>\$ 717,984</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.

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

22. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Depreciation	\$ 242,589	\$ 238,681
Amortization	14,775	14,775
Interest Expense	262,047	268,448
Rent	634,172	439,296
Insurance - Building	15,711	14,388
Janitorial Services/Supplies	90,772	95,162
Maintenance and Repairs	44,255	40,081
Grounds Maintenance	12,147	3,155
Utilities	60,382	76,467
Security	15,092	14,354
Trash Removal	3,763	3,314
Pest Control	<u>1,500</u>	<u>1,550</u>
Total	<u>\$ 1,397,205</u>	<u>\$ 1,209,671</u>

23. 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 established a public 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, 2016 and 2015, the Latin American Montessori Bilingual Public Charter School provided a sub-award in the amount of \$75,000 and \$71,799, respectively, for the purpose of pursuing the formation of this middle/high school. DCI opened and welcomed its first class of 6th and 7th graders in school year 2014/2015.

Prior to its opening and during its first year of operation, the executive directors of the founding immersion schools served on the board of directors of DCI. Now in its third year of operations, founding directors, including LAMB's director, no longer serve on the DCI Board.

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

24. 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 charged with preparing a reuse plan and applying for an Economic Development Conveyance for the surplus property, some of which will be redeveloped by the US Department of State.

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, including insufficient storm water management and possibility of 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 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. LAMB is slated to share the old Delano Hall residential site. The target date for opening on campus is 2017-2018. That date is doubtful as environmental testing reveals remediation needs. LAMB had anticipated this possibility and requested and was granted additional space at Perry Street. In the interim, LAMB will continue to work with architects to finalize space design.

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	<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>
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 372,621	\$ 250,095	\$ 106,525	\$ 16,001	\$ 350,618	\$ 236,619	\$ 99,374	\$ 14,625
Teachers' Salaries	1,533,945	1,533,945	-	-	1,453,193	1,453,193	-	-
Teachers' Aides/Assistants' Salaries	113,143	113,143	-	-	176,278	176,278	-	-
Other Educational Professional Salaries	1,278,258	1,278,258	-	-	1,100,347	1,100,347	-	-
Substitute Teacher Salaries	379,353	379,353	-	-	323,997	323,997	-	-
Clerical Salaries	225,780	187,094	38,686	-	219,019	181,418	37,601	-
Food Service Staff	12,297	12,297	-	-	21,725	21,725	-	-
Business Operation Salaries	69,911	55,929	13,982	-	112,424	65,613	38,795	8,016
Fiscal Salaries	88,680	-	88,680	-	88,680	-	88,680	-
Employee Benefits	474,495	453,636	18,954	1,905	417,968	395,899	19,551	2,518
Payroll Taxes	310,284	296,644	12,394	1,246	300,016	284,174	14,034	1,808
Staff Development Costs	<u>30,115</u>	<u>28,907</u>	<u>1,208</u>	<u>-</u>	<u>75,852</u>	<u>72,282</u>	<u>3,570</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 4,888,882</u>	<u>\$ 4,589,301</u>	<u>\$ 280,429</u>	<u>\$ 19,152</u>	<u>\$ 4,640,117</u>	<u>\$ 4,311,545</u>	<u>\$ 301,605</u>	<u>\$ 26,967</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 244,867	\$ 244,867	\$ -	\$ -	\$ 220,880	\$ 220,880	\$ -	\$ -
Student Supplies and Materials	112,295	112,295	-	-	140,370	140,370	-	-
Contracted Instructional/Student Services	44,545	44,545	-	-	-	-	-	-
Special Education	55,885	55,885	-	-	88,667	88,667	-	-
Educational Subscriptions	15,382	15,382	-	-	-	-	-	-
Other Student Costs	<u>41,498</u>	<u>41,498</u>	<u>-</u>	<u>-</u>	<u>69,614</u>	<u>69,614</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 514,472</u>	<u>\$ 514,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,531</u>	<u>\$ 519,531</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Depreciation - Building	\$ 242,589	\$ 231,925	\$ 9,690	\$ 974	\$ 238,681	\$ 226,078	\$ 11,165	\$ 1,438
Amortization	14,775	14,126	590	59	14,775	13,995	691	89
Interest Expense - Building	262,047	250,527	10,468	1,052	268,448	254,273	12,557	1,618
Rent	634,172	606,294	25,332	2,546	439,296	416,100	20,549	2,647
Building Insurance	15,711	15,020	628	63	14,388	13,628	673	87
Utilities	60,382	57,728	2,412	242	76,467	72,429	3,577	461
Contracted Building Services	32,502	31,074	1,298	130	22,373	21,191	1,047	135
Maintenance and Repairs	44,255	42,309	1,768	178	40,081	37,964	1,875	242
Janitorial Service/Supplies	<u>90,772</u>	<u>88,164</u>	<u>2,371</u>	<u>237</u>	<u>95,162</u>	<u>90,138</u>	<u>4,451</u>	<u>573</u>
Total Occupancy Costs	<u>\$ 1,397,205</u>	<u>\$ 1,337,167</u>	<u>\$ 54,557</u>	<u>\$ 5,481</u>	<u>\$ 1,209,671</u>	<u>\$ 1,145,796</u>	<u>\$ 56,585</u>	<u>\$ 7,290</u>

(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, 2016 AND 2015

	June 30, 2016				June 30, 2015			
	<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>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 15,878	\$ 15,178	\$ 635	\$ 65	\$ 18,204	\$ 17,242	\$ 852	\$ 110
Equipment Rental and Maintenance	13,950	13,337	557	56	12,158	11,516	569	73
Telecommunications	11,221	10,727	448	46	11,685	11,068	547	70
Postage and Shipping	1,170	1,118	47	5	475	450	22	3
Printing and Copying	4,665	4,460	186	19	4,522	4,283	212	27
Consulting	2,755	-	2,755	-	-	-	-	-
Marketing and Promotion	<u>4,858</u>	<u>4,858</u>	<u>-</u>	<u>-</u>	<u>2,165</u>	<u>2,165</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 54,497</u>	<u>\$ 49,678</u>	<u>\$ 4,628</u>	<u>\$ 191</u>	<u>\$ 49,209</u>	<u>\$ 46,724</u>	<u>\$ 2,202</u>	<u>\$ 283</u>
<u>General Expenses:</u>								
Insurance	\$ 13,918	\$ 13,360	\$ 558	\$ -	\$ 12,314	\$ 11,664	\$ 576	\$ 74
Meeting Expenses	385	368	15	2	4,672	4,426	218	28
Licenses and Permits	5,483	5,242	219	22	2,564	2,429	120	15
Dues and Subscriptions	14,558	13,919	581	58	34,969	33,123	1,635	211
Travel	14,553	13,913	582	58	21,008	19,898	983	127
Accounting and Legal Services	34,593	9,693	24,900	-	34,497	9,597	24,900	-
Payroll Service Fee	13,695	13,093	547	55	10,475	9,922	490	63
Authorizer Fee	78,254	75,116	3,138	-	73,243	-	73,243	-
Investment in DCI Charter School	75,000	75,000	-	-	71,799	71,799	-	-
Depreciation	64,467	61,633	2,575	259	60,102	56,928	2,812	362
Office Expense	<u>17,210</u>	<u>16,276</u>	<u>681</u>	<u>253</u>	<u>19,775</u>	<u>18,556</u>	<u>916</u>	<u>303</u>
Total General Expenses	<u>\$ 332,116</u>	<u>\$ 297,613</u>	<u>\$ 33,796</u>	<u>\$ 707</u>	<u>\$ 345,418</u>	<u>\$ 238,342</u>	<u>\$ 105,893</u>	<u>\$ 1,183</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 7,187,172</u>	<u>\$ 6,788,231</u>	<u>\$ 373,410</u>	<u>\$ 25,531</u>	<u>\$ 6,763,946</u>	<u>\$ 6,261,938</u>	<u>\$ 466,285</u>	<u>\$ 35,723</u>

(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, 2016 AND 2015

June 30, 2016

	<u>Total Cost</u>	<u>Average Cost Per Student</u>
Instructional	\$ 5,451,064	\$ 14,575
Occupancy Cost	1,397,205	3,736
General and Administrative	318,853	853
Fundraising	<u>20,050</u>	<u>54</u>
Total	<u>\$ 7,187,172</u>	<u>\$ 19,218</u>

The above is the average per student cost for the year ended June 30, 2016, and is based on a full time equivalent (FTE) enrollment of 374 students.

June 30, 2015

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

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.

(See Accompanying Notes and Auditor's Report)

Kendall, Prebola and Jones, LLC

Certified Public Accountants

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, 2016, 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 October 6, 2016.

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.

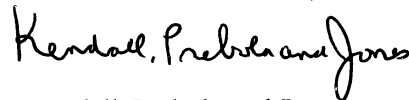
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
October 6, 2016

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., were prepared in accordance with generally accepted accounting principles.
- 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., which would be required to be reported in accordance with *Government Auditing Standards*, 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.