Latin American Montessori Bilingual Public Charter School

Comparative Financial Statements and Auditor's Report

For the years ended June 30, 2018 and 2017

INDEX

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, 2018 and 2017, 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.

133 MANN STREET, PO BOX 259, BEDFORD, PA 15522-0259 / (814) 623-1880

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, 2018 and 2017, 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 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 December 3, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Latin American Montessori Bilingual Public Charter School, Inc.'s internal control over financial reporting and compliance.

Kendall, Prebola and Jones

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 3, 2018

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	June 30, 2018	June 30, 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 3,526,891	$ 3,869,954
Accounts Receivable	84,370	58,048
Grants Receivable	104,103	112,456
Promises Receivable	3,881	6,291
Prepaid Expenses	60,596	48,545
Total Current Assets	$ 3,779,841	$ 4,095,294
Fixed Assets:		
Fixed Assets, Net of Accumulated Depreciation	$ 7,848,890	$ 8,048,904
Total Fixed Assets	$ 7,848,890	$ 8,048,904
Other Assets:		
Cash Restricted for Long-Term Purposes	$ 230,261	$ 204,999
Interest Rate Swap	36,290	-
Deposits	683,556	53,390
Total Other Assets	$ 950,107	$ 258,389
TOTAL ASSETS	$ 12,578,838	$ 12,402,587
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$ 258,369	$ 229,668
Income Taxes Payable	437	-
Accrued Interest Payable	3,326	3,426
Accrued Salary and Vacation	848,841	674,232
Payroll Withholdings and Related Liabilities	191,064	152,059
Refundable Advances	155,806	21,838
Deferred Revenues	87,600	93,707
Current Portion - Long-Term Debt	144,537	137,445
Total Current Liabilities	$ 1,689,980	$ 1,312,375
Long-Term Liabilities:		
Notes Payable	$ 5,054,774	$ 5,192,219
Less: Current Portion	(144,537)	(137,445)
Deferred Rent	140,433	-
Interest Rate Swap	-	85,907
Total Long-Term Liabilities	$ 5,050,670	$ 5,140,681
Total Liabilities	$ 6,740,650	$ 6,453,056
Net Assets:		
Unrestricted	$ 5,838,188	$ 5,948,440
Temporarily Restricted	-	1,091
Total Net Assets	$ 5,838,188	$ 5,949,531
TOTAL LIABILITIES AND NET ASSETS	$ 12,578,838	$ 12,402,587

(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, 2018 AND 2017

	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:						
Tuition - Per Pupil Funding Allocation	$ 7,321,480	$ -	$ 7,321,480	$ 6,197,506	$ -	$ 6,197,506
Tuition - Facilities Allocation	1,475,040	-	1,475,040	1,330,824	-	1,330,824
Federal Entitlements and Grants	261,036	-	261,036	187,775	-	187,775
Donated Federal Commodities	11,160	-	11,160	-	-	-
State Government Grants	50,138	-	50,138	24,988	-	24,988
Private Grants and Contributions	103,729	10,000	113,729	102,996	15,000	117,996
Donated Services	9,500	-	9,500	-	-	-
Student Program Fees and Other	173,672	-	173,672	159,366	-	159,366
Extended Learning Day Program Fees	898,430	-	898,430	748,596	-	748,596
Interest and Dividends	4,773	-	4,773	8,013	-	8,013
Miscellaneous Income	26,212	-	26,212	-	-	-
Loss on Disposal of Fixed Assets	(1,923)	-	(1,923)	(702)	-	(702)
Fundraisers:						
Sales	$ 17,995	$ -	$ 17,995	$ 18,913	$ -	$ 18,913
Less: Cost of Direct Benefits to Donors	(9,407)	-	(9,407)	(14,138)	-	(14,138)
Net Revenue from Fundraisers	$ 8,588	$ -	$ 8,588	$ 4,775	$ -	$ 4,775
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	11,091	(11,091)	-	13,909	(13,909)	-
Total Revenues and Other Support	$ 10,352,926	$ (1,091)	$ 10,351,835	$ 8,778,046	$ 1,091	$ 8,779,137
Expenses:						
Educational Services	$ 9,607,056	$ -	$ 9,607,056	$ 8,121,267	$ -	$ 8,121,267
Fundraising	26,750	-	26,750	23,233	-	23,233
General and Administrative	951,569	-	951,569	412,994	-	412,994
Total Expenses	$ 10,585,375	$ -	$ 10,585,375	$ 8,557,494	$ -	$ 8,557,494
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	$ (232,449)	$ (1,091)	$ (233,540)	$ 220,552	$ 1,091	$ 221,643
Changes in Fair Value of Interest Rate Swap	122,197	-	122,197	216,616	-	216,616
Change in Net Assets	$ (110,252)	$ (1,091)	$ (111,343)	$ 437,168	$ 1,091	$ 438,259
Net Assets, Beginning of Year	5,948,440	1,091	5,949,531	5,511,272	-	5,511,272
Net Assets, End of Year	$ 5,838,188	$ -	$ 5,838,188	$ 5,948,440	$ 1,091	$ 5,949,531

(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, 2018 AND 2017

	June 30, 2018	June 30, 2017
Cash Flows from Operating Activities:		
Changes in Net Assets	$ (111,343)	$ 438,259
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	315,187	307,461
Debt Issuance Costs - Interest	14,775	14,775
Loss on Disposal of Fixed Assets	1,923	702
Unrealized Loss/(Gain) on Interest Rate Swap	(122,197)	(216,616)
Accounts Receivable - (Increase)/Decrease	(26,322)	(39,158)
Grants Receivable - (Increase)/Decrease	8,353	65,522
Promises Receivable - (Increase)/Decrease	2,410	(1,074)
Prepaid Expenses - (Increase)/Decrease	(12,051)	10,080
Deposits - (Increase)/Decrease	(630,166)	166
Interest Receivable - (Increase)/Decrease	-	933
Accounts Payable - Increase/(Decrease)	28,701	129,961
Income Taxes Payable - Increase/(Decrease)	437	-
Accrued Interest Payable - Increase/(Decrease)	(100)	(95)
Accrued Salary and Vacation - Increase/(Decrease)	174,609	99,078
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	39,005	19,159
Refundable Advances - Increase/(Decrease)	133,968	21,838
Deferred Revenues - Increase/(Decrease)	(6,107)	23,447
Deferred Rent - Increase/(Decrease)	140,433	-
Net Cash Flows from Operating Activities	$ (48,485)	$ 874,438
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	$ (117,096)	$ (58,066)
Purchase of Money Market - Restricted for Collateral	-	(203,000)
Proceeds on Sale of Money Market - Restricted for Collateral	205,000	-
Purchase of Certificates of Deposit	(205,000)	(204,000)
Proceeds on Sale of Certificates of Deposit	-	407,000
Net Cash Flows from Investing Activities	$ (117,096)	$ (58,066)
Cash Flows from Financing Activities:		
Repayment on Notes	$ (152,220)	$ (145,440)
Transfer to Cash Restricted for Long Term Purposes	(25,000)	-
Interest on Restricted Cash for Debt Service	(262)	(1,994)
Net Cash Flows from Financing Activities	$ (177,482)	$ (147,434)
Net Increase/(Decrease) in Cash and Cash Equivalents	$ (343,063)	$ 668,938
Cash and Cash Equivalents at Beginning of Year	3,869,954	3,201,016
Cash and Cash Equivalents at End of Year	$ 3,526,891	$ 3,869,954

Supplemental Disclosures:

a) No income taxes were paid during the years ended June 30, 2018 and 2017.
b) Interest in the amount of $246,754 and $253,140, respectively, was paid during the years ended June 30, 2018 and 2017.

Non-Cash Disclosures:

a) Cash has been restricted for long term purposes in the amount of $25,000 for a CAM Reserve as more fully discussed in Note 3.

(See Accompanying Notes and Auditor's Report)

The Latin American Montessori Bilingual Public Charter School, Inc. (LAMB or Charter School) is a District of Columbia Not-for-Profit Corporation incorporated in 2001 exclusively for educational purposes. LAMB's mission is to lay a foundation of knowledge, habits, attitudes, and skills, which are essential for a lifetime of creative thinking and learning. The overall goal is bi-literacy in English and Spanish. To achieve that, LAMB creates 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 develop academically, socially and emotionally. LAMB'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.

(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 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 allowance as well as funding for 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

Extended Learning Day Program

The 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.

(c) Corporate Taxes:

The Latin American Montessori Bilingual Public Charter School is exempt from federal income taxes (other than on 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. The Charter School 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). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2018, the Charter School recognized $437 of income tax expense related to the filing of the 2017 990-T tax return.

The 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

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

Unrestricted net assets are defined as 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.

Temporarily Restricted Net Assets

Temporarily restricted net assets are defined as 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:

	June 30, 2018	June 30, 2017
CHISPA Project	$ -	$ 1,091
Total	$ -	$ 1,091

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:

	June 30, 2018	June 30, 2017
Art Education	$ 10,000	$ 10,000
CHISPA Project	1,091	3,909
Total Released	$ 11,091	$ 13,909

Permanently Restricted Net Assets

Permanently restricted net assets are defined as 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, 2018 and 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Charter School's Board of Directors is uncompensated and is not reflected as donated services.

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

	June 30, 2018	June 30, 2017
Accounting Services	$ 9,500	$ -
Total	$ 9,500	$ -

(g) Basic Programs:

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. 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. 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.

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 for the fifth straight year.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

LAMB utilizes a variety of assessments and evaluation tools including PARCC, DIBELS (English), IDEL (Spanish) and easyCBM (Math). 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.

In School Year 2017-2018, LAMB has 462 students (Latino 37%, Black 17%, White 34%, Multiracial 8%, Asian 2%). Twenty-four percent of LAMB students are eligible for free and reduced lunch, 29% are English language learners and 15% are students with special needs.

LAMB is one school that operates from three facilities: 1375 Missouri Avenue, NW, in Ward 4, 1800 Perry Street, NE, in Ward 5, and 1399 Aspen Street NW, in Ward 4. Over the next five years, LAMB will grow to serve 600 students. Each site serves approximately 180 to 220 students.

(h) Functional Expense Allocation Policies and Procedures:

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

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

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

Personnel expenses for salaries are allocated based on the employee’s function 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(i) Use of Estimates:

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

(j) 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.

(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.

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, 2018, 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, 2018, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2018, the Charter School had no accruals for interest and/or penalties.

3. CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents at year end consisted of the following:

	June 30, 2018	June 30, 2017
Interest Bearing Checking Accounts	$ 1,697,794	$ 1,378,781
Savings Account - Interest Bearing	1,013,892	1,011,190
Money Market - Interest Bearing	252,032	456,620
Non-Interest Bearing Checking Accounts	267,721	202,180
Repurchase - Sweep Checking Account - Interest Bearing	318,713	1,024,182
Repurchase - Sweep Checking Account - Non-Interest Bearing	2,000	2,000
Subtotal	$ 3,552,152	$ 4,074,953
Less: Restricted Cash included in Cash and Cash Equivalents	(25,261)	(204,999)
Cash and Cash Equivalents per Statement of Financial Position	$ 3,526,891	$ 3,869,954

Certificates of Deposit

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

	June 30, 2018	June 30, 2017
Certificates of Deposit	$ 205,000	$ -

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, 2018 and 2017, $2,453,267 and $2,644,003, 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 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.

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

Sweep Account Agreement

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, 2018 and 2017, respectively, was $294,746 and $1,021,387.

Restricted Cash

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. As of June 30, 2018 and 2017, $205,261 and $204,999, respectively, was maintained in a debt service reserve account.

The Charter School entered into a second-tier lease agreement with the District of Columbia International School for the rental of a school facility located at the former Walter Reed Army Medical Center in Washington, DC. In accordance with the terms of this lease agreement, the Charter School is required to maintain a Common Area Maintenance (CAM) Reserve in the amount of $25,000. The CAM Reserve can be utilized to pay for the Charter School's pro rate share of certain operating costs, utilities, insurance costs and real estate taxes. The reserve is required to be replenished to $25,000 within thirty days after any draws from the reserve occur.

Total cash restricted of June 30, 2018 and 2017 was $230,261 and $204,999, 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). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described as follows:

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

Level 2 - Valuation methodology include:

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

4. FAIR VALUE MEASUREMENTS: (Continued)

Level 3 - Inputs to the valuation methodology are unobservable (Supported by little or no market activity) and not corroborated by market data. Unobservable inputs reflect the 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 assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

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 Charter School 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 Charter School's assets and liabilities measured at fair value as of June 30, 2018 and 2017.

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Interest Rate Swap	$ -	$ 36,290	$ -	$ 36,290
Total	$ -	$ 36,290	$ -	$ 36,290

June 30, 2017	Level 1	Level 2	Level 3	Total
Liabilities:				
Interest Rate Swap	$ -	$ 85,907	$ -	$ 85,907
Total	$ -	$ 85,907	$ -	$ 85,907

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, 2018 and 2017 consisted of the following:

	June 30, 2018	June 30, 2017
Accounts Receivable		
Per Pupil Funding	$ 29,774	$ 55,484
Extended Learning Day and School Lunch Fees	4,125	823
Reimbursable Expenses	48,230	587
Employees	2,180	180
Other	61	974
Total	$ 84,370	$ 58,048
Grants Receivable		
Individuals with Disabilities Education Act	$ 47,538	$ 53,728
No Child Left Behind - Entitlement	10,565	38,897
National School Lunch Program	18,569	18,458
State Healthy Schools Act	1,951	1,373
DC School Choice Incentive - SOAR	25,480	-
Total	$ 104,103	$ 112,456

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2018 and 2017.

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 once management determines that available collection efforts have been exhausted.

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

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:

	June 30, 2018	June 30, 2017
General	$ 3,881	$ 6,291
Total	$ 3,881	$ 6,291

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, 2018 and 2017 was $315,187 and $307,461, respectively. Capitalized interest has been recorded as an addition to buildings and improvements in the amount of $97,927 during the year ended June 30, 2009. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 2018:

	Depreciable Life	Cost	Accumulated Depreciation	Net Book Value
Building and Improvements	10-39 Years	$ 9,398,518	$ 2,440,590	$ 6,957,928
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	567,506	397,544	169,962
Total		$ 10,687,024	$ 2,838,134	$ 7,848,890

June 30, 2017:

	Depreciable Life	Cost	Accumulated Depreciation	Net Book Value
Building and Improvements	10-39 Years	$ 9,398,518	$ 2,197,379	$ 7,201,139
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	475,001	348,236	126,765
Total		$ 10,594,519	$ 2,545,615	$ 8,048,904

7. 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.

The swap mechanism is intended to allow the Charter 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, 2018 and 2017 was $37,566 and $81,112, respectively. At June 30, 2018 and 2017, the fair value of the interest rate swap was $36,290 and $(85,907), respectively and has been reflected as an asset and liability in the statements of financial position.

8. 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 Charter School is subject to various financial covenants including a debt service ratio of at least 1.20 to 1.0. The debt service coverage ratio minimum was not met for the fiscal year ended June 30, 2018, however M & T Bank provided a waiver.

The Charter 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 Charter School must maintain a debt service fund with M & T bank with a deposit in the amount of $200,000 plus reinvested interest.

8. LOANS PAYABLE: (Continued)

Manufacturers and Traders Bank (Continued)

As a provision of this loan, the Charter 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 Charter 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, 2018 and 2017 was $5,084,324 and $5,236,544, respectively. Future minimum required payments of principal and interest on this loan for the next two years are as follows:

Year Ending June 30,	Total	Principal	Interest
2019	$ 398,638	$ 159,312	$ 239,326
2020	4,948,581	4,925,012	23,569
Total	$ 5,347,219	$ 5,084,324	$ 262,895

Debt Issuance Costs

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the schedules of functional expenses. Long term debt at June 30, 2018 and 2017 consisted of the following:

	June 30, 2018	June 30, 2017
Notes Payable	$ 5,084,324	$ 5,236,544
Less: Unamortized Debt Issuance Costs	(29,550)	(44,325)
Subtotal	$ 5,054,774	$ 5,192,219
Less: Current Portion - Principal	(159,312)	(152,220)
Less: Current Portion - Debt Issuance Amortization	14,775	14,775
Total Long-Term Debt, Less Current Portion	$ 4,910,237	$ 5,054,774

9. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes a rent abatement period and/or fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. As more fully discussed in Note 13, the Charter School entered into rental operating lease agreements with the District of Columbia International School, which require annual fixed escalations. Accordingly, future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2018, was $140,433.

10. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter 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. In February 2018, the DCPCSB renewed the Charter School’s charter for another 15-year period through June 30, 2033. 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 (.09% for the 17/18 school year) 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, 2018 and 2017, the Charter School incurred $91,719 and $86,491, 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, 2018, was not permitted to be greater than 483 students. Audit enrollment for the 2017/2018 year averaged between 462 and 466 students and enrollment for the 2016/2017 year averaged between 423 and 426 students.

11. PER-PUPIL FUNDING ALLOCATION:

The Charter 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, 2018, the per-student rate ranged from $10,257 to $13,744 for the educational allotment and $3,193 for the facility allotment. For the year ended June 30, 2017, the per-student rate ranged from $9,682 to $12,974 for the educational allotment and $3,124 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, 2018 and 2017 was as follows:

	June 30, 2018	June 30, 2017
Grade Level - Pre-School - 5th Grade	$ 5,505,137	$ 4,770,128
Special Education	908,376	566,657
English as a Second Language	683,524	759,069
Facilities Allowance	1,475,040	1,330,824
At-Risk Students	101,082	101,652
Teachers Collective Bargaining	123,361	-
Total	$ 8,796,520	$ 7,528,330

12. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2018 and 2017, the Charter School participated in the following federal award programs:

	June 30, 2018	June 30, 2017
National School Lunch Program	$ 95,439	$ 95,150
DC School Choice Incentive - SOAR	86,117	-
Individuals with Disabilities Education Act (IDEA 611)	46,534	52,480
Elementary and Secondary Education Act (Title III)	19,108	21,635
Elementary and Secondary Education Act (Title II)	12,834	17,263
Donated Commodities	11,160	-
Individuals with Disabilities Education Act (IDEA 619)	1,004	1,247
Total	$ 272,196	$ 187,775

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project.

The Charter 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.

12. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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

13. COMMITMENTS:

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

In addition to the sublease agreement, the Charter School Incubator Initiative (grantor) has provided a grant to the Latin American Montessori Bilingual Public Charter School to supplement the annual required usage fee. The grantor offers “Full Service Below Market Usage Fees” calculated as the number of students enrolled on each census date (October) multiplied by the per pupil facilities allowance provided by the District of Columbia Government (currently $3,193 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, 2018, was $462,946, which consisted of required lease payments of $652,500 and a rent subsidy of $189,554. Rent expense on this lease for the year ended June 30, 2017, was $524,832, which consisted of required lease payments of $652,500 and a rent subsidy of $127,668.

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 subleassee) 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. As a requirement of this lease, a total rental security deposit of $48,140 was to be made.

13. COMMITMENTS: (Continued)

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

This lease called 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 Charter School 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. The Charter School exercised a provision within the lease agreement permitting an early termination of this lease agreement effective June 30, 2018. Rent expense related to this lease for the years ended June 30, 2018 and 2017 was $280,840.

Building Lease - 1399 Aspen St, NW (District of Columbia International School)

The Latin American Montessori Bilingual Public Charter School entered into a sublease rental agreement in November 2016 with the District of Columbia International School for the rental of a school facility located at the former Walter Reed Army Medical Center in Washington, DC. The rental lease is effective for a twenty-nine-year and eleven-month period after the commencement date. The Charter School is anticipating to exit this lease agreement June 30, 2022. As a requirement of this lease, a total rental security deposit of $130,166 is to be made. A reserve in the amount of $25,000 is also required. This lease calls for quarterly lease payments. Annual base rent for year one is $468,600, which is from the Substantial Completion date to June 30, 2018. Year two annual rent is $624,800 and year three annual base rent is $781,000. Each year thereafter, the base rent will increase by the lesser of (a) the percentage increase in the per pupil facilities allowance from the prior year or (b) three percent (3%). The Charter School is also responsible for its pro rate share of certain operating costs, utilities, insurance costs and real estate taxes. Rent expense related to this lease for the year ended June 30, 2018, was $782,066, which included operating costs of $173,033. Future minimum rental lease payments due under this lease, net of the change in deferred rent is as follows:

Year Ending June 30,	Rent Obligation	Rent Abatement	Net Obligation
2019	$ 724,094	$ (99,294)	$ 624,800
2020	726,078	54,922	781,000
2021	724,094	80,336	804,430
2022	724,094	104,469	828,563
Total	$ 2,898,360	$ 140,433	$ 3,038,793

13. COMMITMENTS: (Continued)

Building Lease - 5000 14th Street, NW (Building Hope)

The Charter School entered into a lease agreement with Building Hope Fourteenth Street, Inc., for the rental of a school facility located at 5000 14th Street, NW, Washington, DC. This lease will commence on approximately August 1, 2019, and end on June 30, 2044. The Charter School has the option to extend the lease term for two additional successive periods of five years each. There is an option to purchase the property. As a requirement of this lease, an initial security deposit of $500,000 was made and an additional $500,000 was paid subsequent to June 30, 2018. The Charter School has agreed to certain convents but not limited to maintaining a fixed charge coverage ratio of not less than 1.20 to 1.00 effective for the year ending June 30, 2020. Scheduled fixed rent payments are based on acquisition and renovation costs. Anticipated monthly base rent for year one is $94,005.

Unsecured Credit Card

The 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, 2018 and 2017 was $462,946 and $524,832, respectively.

The Charter School entered into an agreement with the Charter School Services Corporation (CSSCI) effective March 1, 2018, for financial and accounting services. A board member of the Charter School is an officer on the board of the Charter School Services Corporation. The Charter School recognized total accounting expense under this contract through the year ended June 30, 2018, in an amount of $19,000, of which $9,500 was provided on a pro-bono basis during the year.

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, 2018 and 2017, eighty-five percent (85%) and eighty- six percent (86%), 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 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 (DCPCSB).

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:

Pending Litigation

The Latin American Montessori Bilingual Public Charter School is a party to a civil action for which damages are being sought. The defense of this matter has been turned over to the Charter School's insurance company and is currently in mediation with the parties involved. The insurance carrier is working toward a resolution and intends on defending the case to achieve a compromise settlement. No liability for an adverse outcome has been recorded in the financial statements because in the opinion of management, any award or settlement will be covered by available insurance.

Charter School Operations

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 Charter 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.

16. CONTINGENCIES: (Continued)

Charter School Operations (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 December 3, 2018, 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.

18. FUNDRAISING:

During the years ended June 30, 2018 and 2017, expenses incurred for the purpose of fundraising were $26,750 and $23,233, 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 $3,336 and $2,216 were incurred during the years ended June 30, 2018 and 2017, 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. The Charter 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.

20. RETIREMENT PLAN: (Continued)

401(k) Profit Sharing Plan (Continued)

The Charter School's contributions for the years ended June 30, 2018 and 2017 consisted of the following:

	June 30, 2018	June 30, 2017
3% Safe Harbor	$ 117,363	$ 102,860
2% Profit Sharing	61,917	66,556
Plan Fee	3,354	4,832
Total	$ 182,634	$ 174,248

21. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2018 and 2017 consisted of the following:

	June 30, 2018	June 30, 2017
Social Security/Medicare	$ 384,567	$ 337,369
Health Insurance	280,947	204,679
Health Reimbursement Account	107,697	83,259
Life and Disability Insurance	43,265	38,143
Retirement	182,634	174,248
Unemployment	21,779	21,366
Workers Compensation	22,363	16,760
De Minimus	4,036	5,767
Total	$ 1,047,288	$ 881,591

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.

22. OCCUPANCY COST:

The cost of occupancy for the years ended June 30, 2018 and 2017 consisted of the following:

	June 30, 2018	June 30, 2017
Depreciation	$ 243,211	$ 243,211
Interest Expense	261,430	267,820
Rent	1,533,852	813,672
Insurance - Building	14,707	13,988
Janitorial Services/Supplies	181,354	100,749
Maintenance and Repairs	154,404	118,771
Grounds Maintenance	4,914	4,215
Utilities	73,988	67,341
Security	16,522	15,640
Trash Removal	4,500	4,702
Pest Control	1,500	1,875
Total	$ 2,490,382	$ 1,651,984

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL, INC.
COMPARATIVE SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
Personnel, Salaries and Benefits:								
Principal/Executive Salaries	$ 571,505	$ 413,024	$ 143,754	$ 14,727	$ 448,133	$ 314,358	$ 119,059	$ 14,716
Teachers' Salaries	1,877,756	1,877,756	-	-	1,625,430	1,625,430	-	-
Teachers' Aides/Assistants' Salaries	367,126	367,126	-	-	425,846	425,846	-	-
Other Educational Professional Salaries	1,535,987	1,535,987	-	-	1,343,981	1,343,981	-	-
Substitute Teacher Salaries	665,346	665,346	-	-	505,704	505,704	-	-
Clerical Salaries	287,362	245,499	41,863	-	275,949	230,095	45,854	-
Food Service Staff	5,814	5,814	-	-	15,658	15,658	-	-
Business Operation Salaries	152,177	121,742	30,435	-	111,366	89,093	22,273	-
Fiscal Salaries	58,680	-	58,680	-	88,680	-	88,680	-
Employee Benefits	640,942	613,866	25,348	1,728	522,856	500,641	20,596	1,619
Payroll Taxes	406,346	389,181	16,070	1,095	358,735	343,493	14,131	1,111
Staff Development Costs	15,629	15,009	620	-	40,833	39,220	1,613	-
Total Personnel, Salaries and Benefits	$ 6,584,670	$ 6,250,350	$ 316,770	$ 17,550	$ 5,763,171	$ 5,433,519	$ 312,206	$ 17,446
Direct Student Costs:								
Food Service	$ 209,153	$ 209,153	$ -	$ -	$ 167,054	$ 167,054	$ -	$ -
Student Supplies and Materials	119,130	119,130	-	-	167,089	167,089	-	-
Contracted Instructional/Student Services	46,475	46,475	-	-	32,896	32,896	-	-
Special Education	97,506	97,506	-	-	54,897	54,897	-	-
Educational Subscriptions	19,795	19,795	-	-	17,821	17,821	-	-
Other Student Costs	42,895	42,895	-	-	38,187	38,187	-	-
Total Direct Student Costs	$ 534,954	$ 534,954	$ -	$ -	$ 477,944	$ 477,944	$ -	$ -
Occupancy Costs:								
Depreciation - Building	$ 243,211	$ 232,937	$ 9,618	$ 656	$ 243,211	$ 232,878	$ 9,580	$ 753
Interest Expense - Building	261,430	250,386	10,339	705	267,820	256,441	10,550	829
Rent	1,533,852	1,469,057	60,660	4,135	813,672	779,101	32,051	2,520
Building Insurance	14,707	14,085	582	40	13,988	13,394	551	43
Utilities	73,988	70,863	2,926	199	67,341	64,479	2,653	209
Contracted Building Services	27,436	26,277	1,085	74	26,432	25,309	1,041	82
Maintenance and Repairs	154,404	147,882	6,106	416	118,771	113,725	4,678	368
Janitorial Service/Supplies	181,354	174,775	6,159	420	100,749	97,811	2,724	214
Total Occupancy Costs	$ 2,490,382	$ 2,386,262	$ 97,475	$ 6,645	$ 1,651,984	$ 1,583,138	$ 63,828	$ 5,018

(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, 2018 AND 2017

	June 30, 2018				June 30, 2017			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
Office Expenses:								
Office Supplies and Materials	$ 19,067	$ 18,262	$ 754	$ 51	$ 11,399	$ 10,915	$ 449	$ 35
Equipment Rental and Maintenance	18,503	17,721	732	50	15,943	15,266	628	49
Telecommunications	48,471	46,423	1,917	131	20,905	20,017	823	65
Postage and Shipping	1,174	1,125	46	3	837	801	33	3
Printing and Copying	9,564	9,160	378	26	5,420	5,190	213	17
Consulting	232,941	77,459	155,482	-	111,420	110,920	500	-
Marketing and Promotion	3,336	3,336	-	-	2,216	2,216	-	-
Total Office Expenses	$ 333,056	$ 173,486	$ 159,309	$ 261	$ 168,140	$ 165,325	$ 2,646	$ 169
General Expenses:								
Insurance	$ 19,667	$ 18,887	$ 780	$ -	$ 18,409	$ 17,681	$ 728	$ -
Meeting Expenses	406	388	17	1	641	614	25	2
Licenses and Permits	3,555	3,404	141	10	2,040	1,953	81	6
Dues and Subscriptions	19,246	18,433	761	52	14,098	13,499	555	44
Travel	8,056	7,716	319	21	14,935	14,300	589	46
Accounting and Legal Services	367,186	-	367,186	-	256,611	231,711	24,900	-
Payroll Service Fee	19,830	18,993	784	53	16,585	15,881	653	51
Authorizer Fee	91,719	88,082	3,637	-	86,491	83,073	3,418	-
Income Taxes	437	-	437	-	-	-	-	-
Depreciation	71,976	68,936	2,846	194	64,250	61,521	2,530	199
Moving Expenses	10,352	10,352	-	-	813	813	-	-
Office Expense	29,883	26,813	1,107	1,963	21,382	20,295	835	252
Total General Expenses	$ 642,313	$ 262,004	$ 378,015	$ 2,294	$ 496,255	$ 461,341	$ 34,314	$ 600
TOTAL FUNCTIONAL EXPENSES	$ 10,585,375	$ 9,607,056	$ 951,569	$ 26,750	$ 8,557,494	$ 8,121,267	$ 412,994	$ 23,233

(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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 December 3, 2018.

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.

133 MANN STREET, PO BOX 259, BEDFORD, PA 15522-0259 / (814) 623-1880

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

Latin American Montessori Bilingual Public Charter School, Inc.'s Response to Findings

Latin American Montessori Bilingual Public Charter School, Inc.'s, response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Latin American Montessori Bilingual Public Charter School, Inc.'s, response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 3, 2018

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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. One instance of noncompliance material to the financial statements of the Latin American Montessori Bilingual Public Charter School, Inc., which was required to be reported in accordance with *Government Auditing Standards,* was disclosed during the audit.

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

2018-001 Procurement and Contract Submission:

Condition: During the year ended June 30, 2018, the Latin American Montessori Bilingual Public Charter School, Inc., entered into two separate procurement contracts for services. Over the course of the fiscal year, each of these contracts had an aggregate value exceeding $25,000, however, neither of these contracts were competitively bid.

Criteria: According to the School Reform Act, DC Code 38-1800, contracts obligating a vendor to furnish either supplies and/or services having a total value equal to or exceeding $25,000 within a single fiscal year are required to be competitively bid. In addition, the School Reform Act requires the school to submit within three business days after the contract is awarded, all bids received for the contract, as well as the rationale for the award of the contract, to the DC Public Charter School Board.

Cause: During the year ended June 30, 2018, there was an unusually excessive turnover in the school’s staffing including executive management as well as finance personnel. Because of staff replacement, the procedures for awarding a contract were inadvertently overlooked during this transition.

Effect: When a school fails to adhere to this regulation, including bidding requirements and document submission, the DC Public Charter School Board will issue an Early Warning Notice. Furthermore, an “Out of Compliance Notice” is issued if the school fails to meet the deadline set forth in the Early Warning Notice or if the school accumulates five Early Warning Notices.

Recommendation: We recommend that one individual within the school be assigned the task of monitoring procurement contracts. This would include the determination of whether the contract is expected to exceed $25,000 and if so, ensuring appropriate publication of contract bidding and the respective document submission to the DC Public Charter School Board.

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

2018-001 Procurement and Contract Submission: (Continued)

Views of Responsible Officials: School officials understand the importance of this matter identified by Kendall, Prebola and Jones, LLC, relating to bidding out necessary goods and services, appropriately evaluating vendor contracts, and complying with the DC Public Charter School Board's procurement requirements. To that end, LAMB PCS is currently searching for several new permanent positions that will play a role in preventing another finding from occurring while simultaneously allowing greater oversight by the appropriate school officials. The new permanent positions will include Executive Director, Chief Financial Officer, Chief Operating Officer, and Staff Accountant. Moving forward, before the school begins engaging vendors for services, analyses of expected costs will be performed by the COO, CFO, and Staff Accountant. If the expected costs will exceed $25,000, the COO will be responsible for overseeing compliance with all the procurement requirements stipulated by the DC Public Charter School Board. The Executive Director will be updated throughout the process and provide guidance to the COO as needed. Once all steps have been followed and a contract is executed, the COO will notify the CFO and Staff Accountant. The CFO will authorize the Staff Accountant to initiate payments for invoices received from the associated vendor.