

**Latin American Montessori Bilingual  
Public Charter School**



**Comparative Financial Statements and  
Auditor's Report**

*For the years ended June 30, 2020 and 2019*

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
Latin American Montessori  
Bilingual Public Charter School  
5000 14<sup>th</sup> Street, 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 (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters*****Other Information**

We have audited the financial statements of the Latin American Montessori Bilingual Public Charter School as of and for the years ended June 30, 2020 and 2019, and our report thereon dated December 1, 2020, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the Latin American Montessori Bilingual Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the effectiveness of the Latin American Montessori Bilingual Public Charter School's 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's internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 1, 2020

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,867,936	\$ 3,065,615
Accounts Receivable	88,189	114,289
Promises Receivable	129,477	55,455
Prepaid Expenses	<u>82,473</u>	<u>103,730</u>
Total Current Assets	<u>\$ 2,168,075</u>	<u>\$ 3,339,089</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 32,877,598</u>	<u>\$ 7,559,496</u>
Total Fixed Assets	<u>\$ 32,877,598</u>	<u>\$ 7,559,496</u>
<u>Other Assets:</u>		
Cash Restricted for Long-Term Purposes	\$ 2,194,357	\$ 236,215
Deposits	<u>135,116</u>	<u>1,235,416</u>
Total Other Assets	<u>\$ 2,329,473</u>	<u>\$ 1,471,631</u>
TOTAL ASSETS	<u>\$ 37,375,146</u>	<u>\$ 12,370,216</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 222,097	\$ 397,230
Income Taxes Payable	-	1,258
Accrued Interest Payable	711,797	3,353
Accrued Salary and Vacation	872,897	779,730
Payroll Withholdings and Related Liabilities	278,537	250,530
Deferred Revenues	10,201	55,080
Interest Rate Swap	-	17,196
Current Portion - Long-Term Debt	<u>29,126,369</u>	<u>4,910,237</u>
Total Current Liabilities	<u>\$ 31,221,898</u>	<u>\$ 6,414,614</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 29,124,735	\$ 4,910,237
Financing Lease Payable	8,170	-
Less: Current Portion	(29,126,369)	(4,910,237)
Deferred Rent	<u>-</u>	<u>239,727</u>
Total Long-Term Liabilities	<u>\$ 6,536</u>	<u>\$ 239,727</u>
Total Liabilities	<u>\$ 31,228,434</u>	<u>\$ 6,654,341</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 6,146,712	\$ 5,715,875
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 6,146,712</u>	<u>\$ 5,715,875</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,375,146</u>	<u>\$ 12,370,216</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support:</u>						
Tuition - Per Pupil Funding Allocation	\$ 7,825,868	\$ -	\$ 7,825,868	\$ 7,524,278	\$ -	\$ 7,524,278
Tuition - Facilities Allowance	1,580,790	-	1,580,790	1,553,188	-	1,553,188
Contributions - Federal Awards	228,504	-	228,504	310,304	-	310,304
Donated Federal Commodities	4,385	-	4,385	10,077	-	10,077
Contributions - State Awards	23,314	-	23,314	27,833	-	27,833
Private Grants and Contributions	1,413,871	19,415	1,433,286	105,861	-	105,861
Donated Services	-	-	-	47,190	-	47,190
Student Program Fees and Other	134,200	-	134,200	164,782	-	164,782
Extended Learning Day Program Fees	643,023	-	643,023	970,228	-	970,228
Interest and Dividends	58,015	-	58,015	63,754	-	63,754
Loss on Disposal of Fixed Assets	(28,066)	-	(28,066)	(656)	-	(656)
<u>Fundraisers:</u>						
Sales	\$ 21,559	\$ -	\$ 21,559	\$ 23,648	\$ -	\$ 23,648
Less: Cost of Direct Benefits to Donors	<u>(10,568)</u>	<u>-</u>	<u>(10,568)</u>	<u>(10,913)</u>	<u>-</u>	<u>(10,913)</u>
Net Revenue from Fundraisers	<u>\$ 10,991</u>	<u>\$ -</u>	<u>\$ 10,991</u>	<u>\$ 12,735</u>	<u>\$ -</u>	<u>\$ 12,735</u>
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>19,415</u>	<u>(19,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 11,914,310</u>	<u>\$ -</u>	<u>\$ 11,914,310</u>	<u>\$ 10,789,574</u>	<u>\$ -</u>	<u>\$ 10,789,574</u>
Unusual Item - Gain from Early Termination of Lease	<u>\$ 184,805</u>	<u>\$ -</u>	<u>\$ 184,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Revenues and Other Support	<u>\$ 12,099,115</u>	<u>\$ -</u>	<u>\$ 12,099,115</u>	<u>\$ 10,789,574</u>	<u>\$ -</u>	<u>\$ 10,789,574</u>
<u>Expenses:</u>						
Educational Services	\$ 10,896,094	\$ -	\$ 10,896,094	\$ 10,049,226	\$ -	\$ 10,049,226
Fundraising	34,671	-	34,671	31,264	-	31,264
General and Administrative	<u>737,513</u>	<u>-</u>	<u>737,513</u>	<u>777,911</u>	<u>-</u>	<u>777,911</u>
Total Expenses	<u>\$ 11,668,278</u>	<u>\$ -</u>	<u>\$ 11,668,278</u>	<u>\$ 10,858,401</u>	<u>\$ -</u>	<u>\$ 10,858,401</u>
Change in Net Assets before Change in Fair Value of Interest Rate Swap	\$ 430,837	\$ -	\$ 430,837	\$ (68,827)	\$ -	\$ (68,827)
Change in Fair Value of Interest Rate Swap	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,486)</u>	<u>-</u>	<u>(53,486)</u>
Change in Net Assets	\$ 430,837	\$ -	\$ 430,837	\$ (122,313)	\$ -	\$ (122,313)
Net Assets, Beginning of Year	<u>5,715,875</u>	<u>-</u>	<u>5,715,875</u>	<u>5,838,188</u>	<u>-</u>	<u>5,838,188</u>
Net Assets, End of Year	<u>\$ 6,146,712</u>	<u>\$ -</u>	<u>\$ 6,146,712</u>	<u>\$ 5,715,875</u>	<u>\$ -</u>	<u>\$ 5,715,875</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 489,887	\$ 357,354	\$ 125,319	\$ 7,214	\$ 460,817	\$ 302,468	\$ 147,091	\$ 11,258
Teachers' Salaries	2,895,313	2,895,313	-	-	2,100,720	2,100,720	-	-
Teachers' Aides/Assistants' Salaries	213,364	213,364	-	-	382,790	382,790	-	-
Other Educational Professional Salaries	574,087	574,087	-	-	1,364,016	1,364,016	-	-
Substitute Teacher Salaries	1,055,951	1,055,951	-	-	694,344	694,344	-	-
Clerical Salaries	241,040	209,225	31,815	-	252,171	200,597	51,574	-
Business Operation Salaries	488,201	270,369	202,478	15,354	236,117	150,051	79,260	6,806
Employee Benefits	771,856	722,343	46,589	2,924	703,588	665,661	35,612	2,315
Payroll Taxes	480,532	449,707	29,005	1,820	417,503	394,997	21,132	1,374
Staff Development Costs	67,660	65,340	2,320	-	77,510	74,798	2,712	-
Total Personnel, Salaries and Benefits	<u>\$ 7,277,891</u>	<u>\$ 6,813,053</u>	<u>\$ 437,526</u>	<u>\$ 27,312</u>	<u>\$ 6,689,576</u>	<u>\$ 6,330,442</u>	<u>\$ 337,381</u>	<u>\$ 21,753</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 176,309	\$ 176,309	\$ -	\$ -	\$ 216,863	\$ 216,863	\$ -	\$ -
Student Supplies and Materials	137,467	137,467	-	-	120,967	120,967	-	-
Contracted Instructional/Student Services	42,267	42,267	-	-	96,280	96,280	-	-
Special Education	404,502	404,502	-	-	493,686	493,686	-	-
Educational Subscriptions	22,768	22,768	-	-	12,589	12,589	-	-
Other Student Costs	42,029	42,029	-	-	28,914	28,914	-	-
Total Direct Student Costs	<u>\$ 825,342</u>	<u>\$ 825,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 969,299</u>	<u>\$ 969,299</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Depreciation - Building	\$ 243,211	\$ 234,461	\$ 8,325	\$ 425	\$ 243,211	\$ 234,283	\$ 8,495	\$ 433
Interest Expense - Building	341,851	329,552	11,702	597	254,131	244,803	8,875	453
Loan Acquisition Interest - Building	464,801	448,080	15,910	811	-	-	-	-
Rent	1,487,335	1,433,827	50,912	2,596	1,387,301	1,336,379	48,451	2,471
Building Insurance	31,313	30,187	1,072	54	21,935	21,130	766	39
Utilities	71,718	69,138	2,455	125	78,472	75,591	2,741	140
Contracted Building Services	48,102	46,371	1,647	84	35,986	34,665	1,257	64
Maintenance and Repairs	102,404	98,720	3,505	179	138,365	133,288	4,831	246
Janitorial Service/Supplies	191,230	184,351	6,545	334	195,161	187,998	6,815	348
Total Occupancy Costs	<u>\$ 2,981,965</u>	<u>\$ 2,874,687</u>	<u>\$ 102,073</u>	<u>\$ 5,205</u>	<u>\$ 2,354,562</u>	<u>\$ 2,268,137</u>	<u>\$ 82,231</u>	<u>\$ 4,194</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020				June 30, 2019			
	<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	\$ 12,992	\$ 12,524	\$ 445	\$ 23	\$ 11,000	\$ 10,596	\$ 384	\$ 20
Equipment Rental and Maintenance	21,727	20,945	744	38	22,950	22,107	801	42
Telecommunications	41,677	40,178	1,426	73	38,626	37,208	1,349	69
Postage and Shipping	408	394	13	1	1,023	985	36	2
Printing and Copying	1,550	1,494	53	3	6,257	6,027	219	11
Information Technology Support	1,218	1,174	42	2	3,544	3,414	124	6
Consulting	85,780	49,397	36,383	-	256,628	148,487	104,599	3,542
Marketing and Promotion	<u>7,970</u>	<u>7,970</u>	<u>-</u>	<u>-</u>	<u>4,816</u>	<u>4,816</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 173,322</u>	<u>\$ 134,076</u>	<u>\$ 39,106</u>	<u>\$ 140</u>	<u>\$ 344,844</u>	<u>\$ 233,640</u>	<u>\$ 107,512</u>	<u>\$ 3,692</u>
<u>General Expenses:</u>								
Insurance	\$ 13,089	\$ -	\$ 13,089	\$ -	\$ 18,488	\$ 17,841	\$ 647	\$ -
Meeting Expenses	1,771	1,707	61	3	6,076	5,853	212	11
Licenses and Permits	-	-	-	-	2,209	2,128	77	4
Dues and Subscriptions	23,352	22,512	799	41	13,045	12,566	456	23
Travel	11,939	11,510	408	21	7,188	6,925	251	12
Accounting and Legal Services	111,286	-	111,286	-	229,002	-	229,002	-
Payroll Service Fee	34,643	33,397	1,186	60	21,730	20,933	758	39
Authorizer Fee	94,246	91,014	3,232	-	95,046	80,789	14,257	-
Income Taxes	-	-	-	-	1,535	-	1,535	-
Interest Expense	1,023	986	35	2	-	-	-	-
Depreciation	53,479	51,555	1,832	92	63,324	61,000	2,211	113
Moving Expenses	25,593	-	25,593	-	1,595	1,595	-	-
Office Expense	<u>39,337</u>	<u>36,255</u>	<u>1,287</u>	<u>1,795</u>	<u>40,882</u>	<u>38,078</u>	<u>1,381</u>	<u>1,423</u>
Total General Expenses	<u>\$ 409,758</u>	<u>\$ 248,936</u>	<u>\$ 158,808</u>	<u>\$ 2,014</u>	<u>\$ 500,120</u>	<u>\$ 247,708</u>	<u>\$ 250,787</u>	<u>\$ 1,625</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 11,668,278</u>	<u>\$ 10,896,094</u>	<u>\$ 737,513</u>	<u>\$ 34,671</u>	<u>\$ 10,858,401</u>	<u>\$ 10,049,226</u>	<u>\$ 777,911</u>	<u>\$ 31,264</u>

(See Accompanying Notes and Auditor's Report)



LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 430,837	\$ (122,313)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	296,690	306,535
Debt Issuance Costs - Interest	464,801	14,775
Loss on Disposal of Fixed Assets	28,066	656
Bad Debt Expense	4,860	-
Unrealized Loss/(Gain) on Interest Rate Swap	-	53,486
Accounts Receivable - (Increase)/Decrease	21,240	(18,043)
Promises Receivable - (Increase)/Decrease	(74,022)	40,653
Prepaid Expenses - (Increase)/Decrease	21,257	(43,134)
Deposits - (Increase)/Decrease	1,100,300	(551,860)
Accounts Payable - Increase/(Decrease)	(175,133)	138,861
Income Taxes Payable - Increase/(Decrease)	(1,258)	821
Accrued Interest Payable - Increase/(Decrease)	708,444	27
Accrued Salary and Vacation - Increase/(Decrease)	93,167	(69,111)
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	28,007	59,466
Refundable Advances - Increase/(Decrease)	-	(155,806)
Deferred Revenues - Increase/(Decrease)	(44,879)	(32,520)
Deferred Rent - Increase/(Decrease)	<u>(239,727)</u>	<u>99,294</u>
Net Cash Flows from Operating Activities	<u>\$ 2,662,650</u>	<u>\$ (278,213)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (27,885)	\$ (17,797)
Payments for Construction in Progress - 14 <sup>th</sup> Street	(25,617,372)	-
Proceeds on Sale of Fixed Assets	2,400	-
Purchase of Money Market - Restricted for Collateral	-	(205,000)
Proceeds on Sale of Certificates of Deposit	<u>-</u>	<u>205,000</u>
Net Cash Flows from Investing Activities	<u>\$ (25,642,857)</u>	<u>\$ (17,797)</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes	\$ (4,925,012)	\$ (159,312)
Proceeds on Notes Payable	29,510,000	-
Interest Rate Swap Buy-Out	(17,196)	-
Payment for Loan Acquisition Costs	(835,292)	-
Proceeds on Financing Lease	9,500	-
Payments on Financing Lease	<u>(1,330)</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>\$ 23,740,670</u>	<u>\$ (159,312)</u>
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	\$ 760,463	\$ (455,322)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>3,301,830</u>	<u>3,757,152</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 4,062,293</u>	<u>\$ 3,301,830</u>

Supplemental Disclosures:

- a) Income taxes in the amount of \$1,258 and \$277 were paid during the years ended June 30, 2020 and 2019, respectively.
- b) Interest in the amount of \$189,164 and \$239,329, respectively, was paid during the years ended June 30, 2020 and 2019.

Non-Cash Investing and Financing Disclosures:

- a) A photocopier was purchased during the year through a financing lease. The total amount of assets purchased through the financing lease during the year ended June 30, 2020 was \$9,500.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and Cash Equivalents	\$ 1,867,936	\$ 3,065,615
Cash Restricted for Long-Term Purposes	<u>2,194,357</u>	<u>236,215</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 4,062,293</u>	<u>\$ 3,301,830</u>

(See Accompanying Notes and Auditor's Report)

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

The Latin American Montessori Bilingual Public Charter School (LAMB or Charter School) is a District of Columbia Not-for-Profit Corporation incorporated on January 6, 2003, 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 5<sup>th</sup> 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 implemented the new accounting and reporting standards surrounding contributions. These new standards affect financial statement reporting and disclosures included within the body of the financial statements. The new standards promulgate clarity for distinguishing between exchange transactions and those of a non-reciprocal arrangement leading to a contribution, while providing rules and guidance on what constitutes an underlying condition that may be associated with a contribution.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are determined on the basis of whether or not an underlying agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If both exist, then the contribution is conditional. Barriers include and are not limited to:

- Measurable performance-related barrier(s) (e.g., specified level of service, specific output, or outcome, matching requirement);
- Extent to which a stipulation limits discretion on conduct of activity (e.g., qualifying expenses, specific protocols); and
- Extent to which a stipulation is related to the purpose of the agreement (excludes administrative or trivial).

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Contributions** (Continued)

Conditional contributions are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met. Therefore, any respective advance payments received are recorded as a refundable advance and subsequently recognized as contribution revenue when the underlying conditions are fulfilled.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

**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 allotment as well as funding for English as a second language. The Charter School recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

**Extended Learning Day Program**

The Charter School offers fee-based extended day programming for its students. 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  
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 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. On December 20, 2019, the Taxpayer Certainty and Disaster Tax Relief Act of 2019 provided certain technical corrections and amendments, among them the repeal of the parking and transit tax. As of June 30, 2019, the Charter School recognized \$844 of income tax expense related to the filing of the 990-T tax return. In addition, \$691 of income tax expense due to the District of Columbia has been reflected in the financial statements related to income tax on transportation benefits.

The Charter School is also exempt from District of Columbia sales, real estate, and personal property taxes.

(d) Government Grants:

The Charter School receives grants from federal governmental agencies for the purpose of providing a social benefit to the general public. Pursuant to the implementation of the accounting standard ASU No. 2018-08, government grants are classified as conditional contributions when the award includes both a barrier that must be overcome for the Charter School to be entitled to the assets transferred, and a right of return for the transferred assets exists. Contribution income is recognized based on the total costs incurred. Promises receivable are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by the granting agency. Funds received in advance, and those that are unexpended at year-end, are reflected as a refundable advance.

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization.

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use. There were no net assets with donor restrictions available at June 30, 2020 and 2019.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
COVID - Emergency Use Funds	\$ <u>19,415</u>	\$ <u>-</u>
Total Net Assets Released from Restrictions	\$ <u>19,415</u>	\$ <u>-</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services:

Donated services 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 for professional services are recorded in the statements of activities at estimated fair value and recognized as revenue and expense in the period they are received. The estimated value of donated services has been recorded in the financial statements as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Legal Services	\$ _____ -	\$ 47,190
Total	\$ _____ -	\$ 47,190

(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 5<sup>th</sup> 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 ninth straight year.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs: (Continued)

LAMB serves children PK3 to 5<sup>th</sup> grade. LAMB classes are organized into multi-age groupings: Primary (PK3 to Kindergarten), Lower Elementary (1<sup>st</sup> to 3<sup>rd</sup> grades) and Upper Elementary (4<sup>th</sup> to 5<sup>th</sup> 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.

LAMB utilizes a variety of assessments and evaluation tools including PARCC, DIBELS (English), IDEL (Spanish) and easy CBM (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 2019-20, LAMB had 474 students (Latino 30%, Black 15%, White 43%, Multiracial 10%, Asian 2%). Eighteen percent of LAMB students are eligible for free and reduced lunch, 24% are English language learners and 14% are students with special needs.

LAMB is one school that operated in 2019-20 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. Each site serves approximately 180 to 220 students. Over the next three years, LAMB will grow to serve 600 students. To facilitate future growth and improve and consolidate operations, in fiscal year 2020 LAMB purchased a property at 5000 14<sup>th</sup> Street, NW, in Ward 4, and began renovations to ready the facility for occupancy in school year 2021. Operations ceased at the Aspen Street facility as of June 30, 2020, and the Missouri Avenue location was sold in September 2020. With 73,000 square feet of interior space and plenty of outdoor space, the new facility will be able to serve LAMB's full enrollment of 600 anticipated in about three years. The Perry Street facility will continue to be used for approximately 80 students for the next three years.

(h) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

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



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, food service, student assessment materials, field trips, supplies, and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including staff development, staff recruiting, and staff events are generally allocated between general and administrative and program functions on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full-time employee equivalency calculation.

(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.

LATIN AMERICAN MONTESSORI BILINGUAL  
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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(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) 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.

(m) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" in the current year, applying the changes retrospectively.

ASU 2018-08 was issued to clarify and improve the guidance for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional.

This standard amends the definition of a donor-imposed condition to state it must include both (a) one or more barriers that must be overcome before the organization is entitled to the promised assets, and (b) a right of release from the obligation stipulating the donor has the right to be released from its obligation to transfer assets or to reduce, settle, or cancel liabilities. This standard also provides additional guidance to determine whether grants and contracts from the federal, state, and local governments should be classified as a contribution or an exchange transaction.

The changes had no effect on net assets at July 1, 2019.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 4,062,293	\$ 3,301,830
Accounts Receivable	88,189	114,289
Promises Receivable	<u>129,477</u>	<u>55,455</u>
Total Financial Assets	<u>\$ 4,279,959</u>	<u>\$ 3,471,574</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:		
Contractual Restrictions:		
Cash Held in Trust for Debt Service	\$ 2,133,159	\$ 211,215
Cash Held in Trust for Project Costs	61,198	-
Cash Held in Trust for CAM Reserve	<u>-</u>	<u>25,000</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 2,085,602</u>	<u>\$ 3,235,359</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

3. 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, 2020, 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, 2020, the statute of limitations for tax years 2016 through 2018 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, 2020, the Charter School had no accruals for interest and/or penalties.

4. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

**Cash and Cash Equivalents**

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Interest Bearing Checking Accounts	\$ 1,723,466	\$ 820,468
Non-Interest Bearing Checking Accounts	55,428	85,939
Check on Hand Pending Deposit	21,339	-
Savings Account - Interest Bearing	-	1,018,957
Money Market - Interest Bearing	-	463,129
Repurchase - Sweep Checking Account		
- Interest Bearing	65,703	911,337
Repurchase - Sweep Checking Account		
- Non-Interest Bearing	2,000	2,000
Money Market Mutual Fund Accounts	<u>2,194,357</u>	<u>-</u>
Subtotal	\$ 4,062,293	\$ 3,301,830
Less: Restricted Cash not included in Cash and Cash Equivalents	<u>(2,194,357)</u>	<u>(236,215)</u>
Cash and Cash Equivalents per Statements of Financial Position	<u>\$ 1,867,936</u>	<u>\$ 3,065,615</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, including money market mutual accounts.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: (Continued)

**Cash and Cash Equivalents** (Continued)

As of June 30, 2020, \$2,194,357 was held in brokerage money market funds that were not federally insured. The money market funds seek to maintain a share price of \$1.00. Investments held by the Charter Schools brokerage firm are insured by the Securities Investor Protection Corporation (SIPC) for loss, theft, or destruction of securities while in the brokerage firm's custody.

The Charter School maintains its operating funds in various financial institutions. These accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation insurance coverage is \$250,000 per financial institution. 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, 2020 and 2019, \$1,490,262 and \$1,858,721, 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.

**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, 2020 and 2019, respectively, was \$65,703 and \$917,648.

**Restricted Cash**

Total cash restricted of June 30, 2020 and 2019 was \$2,194,357 and \$236,215, respectively.

UMB Bank, National Association

As a condition of the 2020A and 2020B bond anticipation notes, the Latin American Montessori Bilingual Public Charter School established a debt service fund and a debt service reserve fund to pay principal and interest on the outstanding notes, and to act as security for the 2020 notes. In addition, project accounts were established to finance the activities as approved under the bond issuance. As of June 30, 2020, \$2,194,357 was restricted and not available for operations.

M & T Bank

As a condition of the mortgage with M&T Bank, an amount of \$200,000 plus reinvested interest was 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 lacked sufficient funds to make the required mortgage payments. As of June 30, 2019, \$211,215 was maintained in a debt service reserve account.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: (Continued)

**Restricted Cash** (Continued)

DCI - CAM Reserve

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 was required to maintain a Common Area Maintenance (CAM) Reserve in the amount of \$25,000. The CAM Reserve was permitted to 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 was required to be replenished to \$25,000 within thirty days after any draws from the reserve occur.

5. FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC 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 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 - Inputs to the 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

LATIN AMERICAN MONTESSORI BILINGUAL  
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NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS: (Continued)

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, 2020.

*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 table sets forth by level, within the fair value hierarchy, the Charter School's liabilities measured at fair value as of June 30, 2019.

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities:</u>				
Interest Rate Swap	\$ -	\$ 17,196	\$ -	\$ 17,196
Total	\$ -	\$ 17,196	\$ -	\$ 17,196

6. ACCOUNTS AND PROMISES RECEIVABLE:

**Accounts Receivable**

Accounts receivable are current and considered to be fully collectible by management. Balances as of June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Per Pupil Funding	\$ 65,626	\$ 47,160
E-rate	8,593	5,938
Pension Forfeitures	6,734	-
Reimbursable Expenses	5,411	1,540
PayPal	1,076	-
Interest	749	51,167
Extended Learning Day and School Lunch Fees	-	8,484
Total	<u>\$ 88,189</u>	<u>\$ 114,289</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
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NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Accounts Receivable** (Continued)

The Charter School's accounts 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 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 outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2020 and 2019.

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. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

**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. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. The Charter School uses the allowance method to determine uncollectible promises to give. Promises receivable at year end consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Individuals with Disabilities Education Act	\$ 63,220	\$ 17,096
No Child Left Behind - Entitlement	37,570	10,292
DC School Choice Incentive - SOAR	22,667	3,897
National School Lunch Program	5,513	22,482
State Healthy Schools Act	<u>507</u>	<u>1,688</u>
Total	<u>\$ 129,447</u>	<u>\$ 55,455</u>

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



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS AND PROMISES RECEIVABLE: (Continued)

**Promises Receivable** (Continued)

The Charter School received the following conditional promises to give that are not recognized as assets in the financial statements:

	<u>June 30, 2020</u>
DC School Choice Incentive - SOAR	\$ 43,435
Total Conditional Promises	\$ 43,435

7. 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 \$1,000 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, 2020 and 2019 was \$296,690 and \$306,535, respectively. Capitalized interest has been recorded as an addition to Missouri Avenue building 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, 2020

	<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	\$ 2,927,010	\$ 6,471,508
Land	-	10,721,000	-	10,721,000
Computer and Office Equipment	3-5 Years	529,032	461,313	67,719
Construction in Progress	-	<u>15,617,371</u>	<u>-</u>	<u>15,617,371</u>
Total		<u>\$ 36,265,921</u>	<u>\$ 3,388,323</u>	<u>\$ 32,877,598</u>

June 30, 2019

	<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	\$ 2,683,800	\$ 6,714,718
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>561,355</u>	<u>437,577</u>	<u>123,778</u>
Total		<u>\$ 10,680,873</u>	<u>\$ 3,121,377</u>	<u>\$ 7,559,496</u>

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7. FIXED ASSETS: (Continued)

On January 13, 2020, LAMB purchased land and a building at 5000 14<sup>th</sup> Street, NW, and began demolition and renovations to begin consolidating operations within this facility for the school year ended June 30, 2021. Capitalized interest has been recorded as an addition to buildings and improvements in the amount of \$554,735 during the year ended June 30, 2020. LAMB began occupying the new facility in late August 2020. Full construction completion is expected by January 2021.

Subsequent to the June 30, 2020, fiscal year-end, effective September 25, 2020, LAMB sold the property at 1375 Missouri Avenue for a price of \$8,350,000, in accordance with an Agreement of Purchase and Sale dated August 21, 2020.

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than \$5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

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 paid the bank interest at a fixed rate of 4.71% on the principal loan balance through the termination date of the swap agreement, which was originally scheduled for June 26, 2020.

The swap mechanism was 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. The swap agreement was terminated on April 15, 2020, in conjunction with the payoff of the related mortgage requiring a total payment of \$22,075. Interest expense related to the interest rate swap for the year ended June 30, 2020, was \$4,879. At June 30, 2019, the fair value of the interest rate swap was \$(17,196) and is reflected as a liability in the statements of financial position.

9. FINANCING LEASE PAYABLE:

On August 15, 2019, the Charter School entered into a financing lease for the purchase of a Xerox C8035 photocopier. The total amount financed through this financing lease was \$9,500 payable over sixty (60) months with a monthly required payment of \$214. Maturity is scheduled for July 15, 2024. Interest expense was \$1,023 for the year ended June 30, 2020, using an implicit rate of 12.5%. The balance of the financing lease debt was \$8,170 at June 30, 2020.

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9. FINANCING LEASE PAYABLE: (Continued)

The Charter School is committed under this financing lease to make future minimum payments as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,566	\$ 1,635	\$ 931
2022	2,566	1,852	714
2023	2,566	2,097	469
2024	2,566	2,375	191
2025	<u>214</u>	<u>211</u>	<u>3</u>
Total	<u>\$ 10,478</u>	<u>\$ 8,170</u>	<u>\$ 2,308</u>

The lease is secured by the photocopier equipment and is presented as part of the carrying balance of fixed assets. For the year ended June 30, 2020, depreciation expense in the amount of \$1,742 on the photocopier has been included in depreciation expense.

Following is a summary of assets held under financing leases:

	<u>June 30, 2020</u>
Photocopier - Cost	\$ 9,500
Less: Accumulated Depreciation	<u>(1,742)</u>
Net Book Value Leased Equipment	<u>\$ 7,758</u>

10. LOANS PAYABLE:

**Manufacturers and Traders Bank**

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

Principal payments were 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. Interest on this note was on a variable basis at two-and-one-half percentage points (2.50%) above the one-month LIBOR rate. The balance of this loan was paid in its entirety on April 15, 2020, in the amount \$4,800,425.

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10. LOANS PAYABLE: (Continued)

**Manufacturers and Traders Bank** (Continued)

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 was 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 was required to 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 Charter School was permitted to prepay any portion of the principal balance, however they were subject to a "breakage fee." In the event the swap rate at the time of payoff was lower than the seven (7) year rate established on the day of closing (currently 2.21%), the Charter School was 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, had provided a limited guarantee in the amount of \$340,000. The term of the guarantee was for a seven (7) year period or until the loan to value ratio reached the standard 80% required by M & T Bank. The balance of this loan at June 30, 2019, was \$4,925,012. The M & T loan was prepaid in full effective April 14, 2020, with the Bond Anticipation Note, Series 2020B.

**Debt Issuance Costs - M & T Bank**

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 statements of functional expenses. Long term debt at June 30, 2019, consisted of the following:

	<u>June 30, 2019</u>
Notes Payable	\$ 4,925,012
Less: Unamortized Debt Issuance Costs	<u>(14,775)</u>
Subtotal	\$ 4,910,237
Less: Current Portion - Principal	(4,925,012)
Less: Current Portion - Debt Issuance Amortization	<u>14,775</u>
Total Long-Term Debt, Less Current Portion	\$ <u>-</u>

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10. LOANS PAYABLE: (Continued)

**Bond Anticipation Note, Series 2020A**

On January 13, 2020, the Latin American Montessori Bilingual Public Charter School entered into a Bond Anticipation Note with UMB Bank as Trustee and DA Davidson & Co as Underwriter in the amount of \$18,125,000. This note was for the purpose of acquiring the building and land located at 5000 14<sup>th</sup> Street, NW, and to provide initial funding of a Debt Service Reserve Fund in accordance with the Limited Offering Memorandum. This note calls for an interest only payment on July 1, 2020, and full payment on maturity by January 1, 2021, it being anticipated that long-term tax-exempt bonds will be issued by this time to fully finance the acquisition and subsequent renovations. This note is secured by the land and building known as the Kingsbury Center in addition to the gross revenues of the school. Interest is stated at 6.25% with total interest in the amount of \$528,646 accrued at June 30, 2020.

District of Columbia Revenue Bonds have subsequently been issued, and the Bond Anticipation Note refinanced in full, effective November 12, 2020.

**Bond Anticipation Note, Series 2020B**

On January 13, 2020, the Latin American Montessori Bilingual Public Charter School entered into a Bond Anticipation Note with UMB Bank as Trustee and DA Davidson & Co as Underwriter in the amount of \$5,385,000. This note was for the purpose of refinancing all existing debt with M&T Bank as it related to the building and land located at 1375 Missouri Avenue, NW, and to provide initial funding of a Debt Service Reserve Fund in accordance with the Limited Offering Memorandum. The note proceeds were held in trust until the M&T Note was paid in full on April 14, 2020. This Bond Anticipation Note calls for an interest only payment on July 1, 2020, and full payment on maturity by January 1, 2021, it being anticipated that long-term tax-exempt bonds will be issued by this time to fully finance the acquisition and subsequent renovations. This note is secured by the land and building known as the Missouri Campus in addition to the gross revenues of the school. Interest is stated at 6.25% with total interest in the amount of \$157,062 accrued at June 30, 2020.

The property at 1375 Missouri Avenue, NW, was subsequently sold on September 25, 2020; the Bond Anticipation Note, Series 2020B, was paid in full, the note being redeemed effective October 20, 2020.

**Building Hope Finance**

On April 9, 2020, the Latin American Montessori Bilingual Public Charter School entered into a short term construction loan with Building Hope Finance. This note was for the purpose of funding up to \$6 million to fund construction costs for the demolition and remodeling of the improvements on the property at 5000 14<sup>th</sup> Street, NW. A subordinate Deed of Trust has been executed placing Building Hope Finance as a second priority lien. Interest is stated and accrues at 6.5%. The balance of this loan at June 30, 2020, was \$6,000,000 and interest was accrued in the amount of \$26,089.

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10. LOANS PAYABLE: (Continued)

**Building Hope Finance** (Continued)

The stated Maturity of the loan was originally June 30, 2020, in anticipation of application and approval of long-term tax exempt revenue bonds to refinance this loan and fund additional construction costs. Due to delays resulting from the COVID pandemic, the loan's maturity was subsequently extended to January 1, 2021, with the loan amount increasing to \$15 million.

District of Columbia Revenue Bonds have subsequently been issued, and the Building Hope Finance loan refinanced in full, effective November 12, 2020.

**Debt Issuance Costs**

Underwriters discount and other costs of issuance were \$786,634 on the Bond Anticipation Notes, and \$48,658 on the Building Hope construction loan. Based on the refinancing of these on November 12, 2020, amortization has been recorded through June 30, 2020, in the amounts of \$432,649 and \$17,378, respectively.

	<u>2020 Series</u>	<u>Building Hope</u>
Notes Payable	\$ 23,510,000	\$ 6,000,000
Less: Unamortized Debt Issuance Costs	<u>(353,985)</u>	<u>(31,280)</u>
Subtotal	\$ 23,156,015	\$ 5,968,720
Less: Current Portion	<u>(23,156,015)</u>	<u>(5,968,720)</u>
Total Long-Term Debt, Less Current Portion	<u>\$ -</u>	<u>\$ -</u>

11. 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 16, the Charter School entered into a rental operating lease agreement with the District of Columbia International School for property located at 1399 Aspen Street, NW, which required annual fixed escalations. Accordingly, future rent payments were recorded as a liability at June 30, 2019, to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2019, was \$239,727. This lease was early terminated effective June 30, 2020, and the remaining deferred rent liability of \$184,805 was recognized as a gain in the accompanying financial statements in the statements of activities.

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12. PAYCHECK PROTECTION PROGRAM:

The Paycheck Protection Program was established under the CARES Act on March 27, 2020, and was designed to provide cash-flow assistance to small businesses including certain not-for-profit organizations. This program provides relief as a result of the Coronavirus pandemic with loan funds to pay up to 24 weeks of payroll costs including fringe benefits, rent and utilities commencing on the date of loan origination. The Paycheck Protection Program is a loan program that is guaranteed in its entirety through the Small Business Administration and offers a maturity of two years and an interest rate of one percent (1%). The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in manner consistent with the allowable use of loan proceeds.

Management of the Charter School anticipates total forgiveness and the funds are being reported in accordance with FASB ASC 958-605. Due to the forgiveness being conditional on incurring the qualified expenses, the funds were accounted for as a refundable advance and were recognized as contribution revenue as the qualified expenses were incurred. The Charter School applied for and received a total amount of loan proceeds in the amount of \$1,387,490 on April 22, 2020. As of June 30, 2020, \$1,387,490 has been recognized as contribution income since the conditions upon which the loan proceeds were provided has been substantially met.

13. 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 (.9% for the 19/20 and 18/19 school years) 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, 2020 and 2019, the Charter School incurred \$94,246 and \$95,046, 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, 2020, was not permitted to be greater than 543 students. Audit enrollment for the 2019/2020 year was 474 students and enrollment for the 2018/2019 year was 476 students.

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14. 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, 2020, the per-student rate ranged from \$10,980 to \$14,713 for the educational allotment and \$3,335 for the facility allotment. For the year ended June 30, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the educational allotment and \$3,263 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, 2020 and 2019 was as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Grade Level - Pre-School - 5 <sup>th</sup> Grade	\$ 5,958,626	\$ 5,846,126
Special Education	1,094,227	960,742
English Language Learning	602,582	626,690
Facilities Allowance	1,580,790	1,553,188
At-Risk Students	83,999	90,720
One Time Additional Payment	<u>86,434</u>	<u>-</u>
Total	<u>\$ 9,406,658</u>	<u>\$ 9,077,466</u>

15. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2020 and 2019, the Charter School participated in the following federal award programs:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
DC School Choice Incentive - SOAR	\$ 66,804	\$ 96,915
National School Lunch Program	65,769	106,275
Individuals with Disabilities Education Act (IDEA 611)	62,021	63,870
Elementary and Secondary Education Act (Title II)	18,448	18,133
Elementary and Secondary Education Act (Title III)	14,262	22,603
Donated Commodities	4,385	10,077
Individuals with Disabilities Education Act (IDEA 619)	<u>1,200</u>	<u>2,508</u>
Total	<u>\$ 232,889</u>	<u>\$ 320,381</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.



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15. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

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.

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.

16. COMMITMENTS:

**Building Lease - 3825 18<sup>th</sup> 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 18<sup>th</sup> Street, NE, in Washington, DC. The rental lease was originally effective for a fifteen-year period commencing on July 1, 2013, expiring on June 30, 2028. The Charter School had 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 made. This lease called 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 was calculated using a full service market rate of \$29 per square foot. The annual usage fee was full service and included 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 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) 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 \$3,335 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, 2020, was \$560,280, which consisted of required lease payments of \$652,500 and a rent subsidy of \$92,220. Rent expense on this lease for the year ended June 30, 2019, was \$466,609, which consisted of required lease payments of \$652,500 and a rent subsidy of \$185,891.

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16. COMMITMENTS: (Continued)

**Building Lease - 3825 18<sup>th</sup> Street (Charter School Incubator Initiative) (Continued)**

In conjunction with the Charter School's acquisition of the 14<sup>th</sup> Street property and plans to consolidate operations there, the Latin American Montessori Bilingual Public Charter School entered into a full service sub-sub-sub-lease arrangement for a one year period with the Sojourner Truth Public Charter School effective July 1, 2020, to use roughly half of the space in this facility, for a rental fee of \$300,000 annually. In connection with this, the Charter School Incubator Initiative's rent subsidy grant has been terminated effective June 30, 2020. As a provision of this lease, this agreement may be extended for one additional one-year period.

**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. As a requirement of this lease, a total rental security deposit of \$130,166 was made. A cash reserve in the amount of \$25,000 was also required. This lease called for quarterly lease payments. Annual base rent for year one was \$468,600, which is from the Substantial Completion date to June 30, 2018. Year two annual rent was \$624,800 and year three annual base rent was \$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 rata share of certain operating costs, utilities, insurance costs and real estate taxes. Rent expense related to this lease net of rent abatement for the year ended June 30, 2020, was \$927,055, which included operating costs of \$200,977. Rent expense related to this lease net of rent abatement for the year ended June 30, 2019, was \$920,692, which included operating costs of \$196,598. This lease was terminated early effective June 30, 2020.

**Unsecured Credit Card**

The Charter School utilizes a credit card issued by M & T Bank 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 \$35,000.

17. RELATED PARTY TRANSACTIONS:

**Board Members**

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

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18. 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, 2020 and 2019, seventy-nine percent (79%) 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 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.

19. CONTINGENCIES:

**Litigation**

From time to time, the Charter School is involved in routine litigation that arises in the ordinary course of business. There are no significant pending legal proceedings to which the Charter School is a party for which management believes the ultimate outcome would have a material adverse effect on the Charter School's financial position.

**Compliance and Accountability**

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.

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19. CONTINGENCIES: (Continued)

**Compliance and Accountability** (Continued)

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School receives funding from various federal and state grant reimbursement programs, which are governed by various rules and regulations of the respective grantor agencies. To the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. 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. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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.

**Pandemic**

The Charter School has been adversely impacted by the effects of the worldwide coronavirus pandemic. Charter School leadership continues to work closely with the DC Department of Health, the Office of the State Superintendent for Education, the Public Charter School Board, and others, to manage a continually evolving plan that balances instructional programming, safety, and budget considerations. A limited number of students deemed most at need have been onsite for in-person support since mid-September, although most students continue to receive remote instruction. The Charter School's plans are shared at <https://www.lambpcs.org/covid>. Management, with support of staff and parents, is cautiously optimistic its approach will provide stability and sustain the Charter School through school year 2020-2021, though the full impact to the Charter School's financial position cannot be known at the present time.

20. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, 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.

**District of Columbia Revenue Bonds, Series 2020**

On November 12, 2020, the Latin American Montessori Bilingual Public Charter School issued through the District of Columbia, Revenue Bonds in the amount of \$34,135,000, with Wilmington Trust as Trustee and Baird as Underwriter. The bonds were issued for the purpose of refinancing all existing debt related to the acquisition and renovation of the building and land located at 5000 14<sup>th</sup> Street, NW, to provide funding of a Debt Service Reserve Fund, including capitalized interest, and to fund remaining construction costs.

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20. SUBSEQUENT EVENTS: (Continued)

**District of Columbia Revenue Bonds, Series 2020** (Continued)

The bonds provide for a 30-year term, with final maturity of June 1, 2050. Coupon rates vary with maturity, from 4.0 to 5.0%, payable semi-annually on June 1 and December 1, commencing June 1, 2021. The Bonds may be redeemed in whole or in part on or after June 1, 2030, based upon which the bonds have been priced to yield 2.95-3.74%.

The Charter School is subject to various financial covenants including a debt service ratio of at least 1.10 to 1.0, and days cash on hand of a minimum of 45 days.

21. FUNDRAISING:

During the years ended June 30, 2020 and 2019, expenses incurred for the purpose of fundraising were \$34,671 and \$31,264, respectively.

22. 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 1<sup>st</sup> and July 1<sup>st</sup> 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 Charter School's contributions for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
3% Safe Harbor	\$ 118,227	\$ 121,040
2% Profit Sharing	85,350	69,973
Pension Forfeitures	(7,146)	-
Plan Fee	<u>2,222</u>	<u>5,768</u>
Total	<u>\$ 198,653</u>	<u>\$ 196,781</u>

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

23. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Social Security/Medicare	\$ 418,233	\$ 387,506
Health Insurance	314,565	282,665
Health Reimbursement Account	178,417	152,402
Life and Disability Insurance	49,651	46,925
Retirement	198,653	196,781
Unemployment	20,950	21,421
Paid Leave Tax	41,349	8,576
Workers Compensation	21,423	23,464
Moving	5,000	-
De Minimus	<u>4,147</u>	<u>1,351</u>
Total	<u>\$ 1,252,388</u>	<u>\$ 1,121,091</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.

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
Latin American Montessori Bilingual  
Public Charter School  
5000 14<sup>th</sup> Street, 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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2020.

***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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Latin American Montessori Bilingual Public Charter School'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 Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 1, 2020



LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

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

2019-001    Procurement and Contract Submission:

Condition: During the year ended June 30, 2019, the Latin American Montessori Bilingual Public Charter School entered into various 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.

Status: This has not been repeated as an issue in the current year.

LATIN AMERICAN MONTESSORI BILINGUAL  
PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

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 were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies in internal control 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, which would be 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*

There were no findings in the current year.

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2020

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
MCN Build	Construction Services	12,726,686	no
DCI	Rent - Walter Reed Facility	1,046,948	no
Studio27 Architect	Architectural Services	780,200	no
CareFirst	Employee Health Insurance	567,059	no
Charter School Incubator Initiative	Rent - South Dakota Facility	560,280	no
Genesys Impact, LLC	Info Technology Design Build Services	422,396	no
Building Hope Development Services, LLC	Project Management Services	260,000	no
M and G Services Unlimited, Inc.	Maintenance and Custodial Services	246,753	no
The MECCA Group, LLC	Special Education Services	206,548	no
Revolution Foods, Inc.	Food Service	162,603	no
Building Hope Services, LLC	Financial Advisory Services	119,473	no
Dynamic Kid LLC	Special Education Occupational Therapy Services	114,506	no
DC Public Charter School Board	PCSB Administrative Fees	101,838	no
Brad Karrer	Property Management Consulting Services	82,238	no
Arent Fox	Bond Counsel	75,000	no
Therapy Source	Special Education Services	52,962	no
Vedder Price	Legal Services - Real Estate	46,523	no
Selective Insurance Company of America	Building/Liability Insurance	43,194	no
MedStar-Georgetown Medical Center, Inc.	Consulting - Capacity Building and Program Evaluation	42,230	no
A2 Services, Inc.	LEED Commissioning Services	40,940	no
Kendall, Prebola and Jones, LLC	Audit and Tax Return Preparation	28,774	no
Lindamood-Bell Learning	Special Education Services	25,776	no