

**Latin American Montessori Bilingual
Public Charter School**



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

For the years ended June 30, 2019 and 2018

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Kendall, Prebola and Jones, LLC
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Latin American Montessori Bilingual Public Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, and our report thereon dated December 4, 2019, 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 4, 2019, 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 4, 2019

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,065,615	\$ 3,526,891
Accounts Receivable	108,351	84,370
Grants Receivable	61,393	104,103
Promises Receivable	-	3,881
Prepaid Expenses	<u>103,730</u>	<u>60,596</u>
Total Current Assets	<u>\$ 3,339,089</u>	<u>\$ 3,779,841</u>
<u>Fixed Assets:</u>		
Fixed Assets, Net of Accumulated Depreciation	<u>\$ 7,559,496</u>	<u>\$ 7,848,890</u>
Total Fixed Assets	<u>\$ 7,559,496</u>	<u>\$ 7,848,890</u>
<u>Other Assets:</u>		
Cash Restricted for Long-Term Purposes	\$ 236,215	\$ 230,261
Interest Rate Swap	-	36,290
Deposits	<u>1,235,416</u>	<u>683,556</u>
Total Other Assets	<u>\$ 1,471,631</u>	<u>\$ 950,107</u>
TOTAL ASSETS	<u>\$ 12,370,216</u>	<u>\$ 12,578,838</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 397,230	\$ 258,369
Income Taxes Payable	1,258	437
Accrued Interest Payable	3,353	3,326
Accrued Salary and Vacation	779,730	848,841
Payroll Withholdings and Related Liabilities	250,530	191,064
Refundable Advances	-	155,806
Deferred Revenues	55,080	87,600
Interest Rate Swap	17,196	-
Current Portion - Long-Term Debt	<u>4,910,237</u>	<u>144,537</u>
Total Current Liabilities	<u>\$ 6,414,614</u>	<u>\$ 1,689,980</u>
<u>Long-Term Liabilities:</u>		
Notes Payable	\$ 4,910,237	\$ 5,054,774
Less: Current Portion	(4,910,237)	(144,537)
Deferred Rent	<u>239,727</u>	<u>140,433</u>
Total Long-Term Liabilities	<u>\$ 239,727</u>	<u>\$ 5,050,670</u>
Total Liabilities	<u>\$ 6,654,341</u>	<u>\$ 6,740,650</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 5,715,875	\$ 5,838,188
With Donor Restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 5,715,875</u>	<u>\$ 5,838,188</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,370,216</u>	<u>\$ 12,578,838</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, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	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	\$ 7,524,278	\$ -	\$ 7,524,278	\$ 7,321,480	\$ -	\$ 7,321,480
Tuition - Facilities Allocation	1,553,188	-	1,553,188	1,475,040	-	1,475,040
Federal Entitlements and Grants	310,304	-	310,304	261,036	-	261,036
Donated Federal Commodities	10,077	-	10,077	11,160	-	11,160
State Government Grants	27,833	-	27,833	50,138	-	50,138
Private Grants and Contributions	105,861	-	105,861	103,729	10,000	113,729
Donated Services	47,190	-	47,190	9,500	-	9,500
Student Program Fees and Other	164,782	-	164,782	173,672	-	173,672
Extended Learning Day Program Fees	970,228	-	970,228	898,430	-	898,430
Interest and Dividends	63,754	-	63,754	4,773	-	4,773
Miscellaneous Income	-	-	-	26,212	-	26,212
Loss on Disposal of Fixed Assets	(656)	-	(656)	(1,923)	-	(1,923)
<u>Fundraisers:</u>						
Sales	\$ 23,648	\$ -	\$ 23,648	\$ 17,995	\$ -	\$ 17,995
Less: Cost of Direct Benefits to Donors	<u>(10,913)</u>	<u>-</u>	<u>(10,913)</u>	<u>(9,407)</u>	<u>-</u>	<u>(9,407)</u>
Net Revenue from Fundraisers	\$ <u>12,735</u>	\$ <u>-</u>	\$ <u>12,735</u>	\$ <u>8,588</u>	\$ <u>-</u>	\$ <u>8,588</u>
Net Assets Released from Restrictions (Satisfaction of Program Restrictions)	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,091</u>	<u>(11,091)</u>	<u>-</u>
Total Revenues and Other Support	\$ <u>10,789,574</u>	\$ <u>-</u>	\$ <u>10,789,574</u>	\$ <u>10,352,926</u>	\$ <u>(1,091)</u>	\$ <u>10,351,835</u>
<u>Expenses:</u>						
Educational Services	\$ 10,049,226	\$ -	\$ 10,049,226	\$ 9,607,056	\$ -	\$ 9,607,056
Fundraising	31,264	-	31,264	26,750	-	26,750
General and Administrative	<u>777,911</u>	<u>-</u>	<u>777,911</u>	<u>951,569</u>	<u>-</u>	<u>951,569</u>
Total Expenses	\$ <u>10,858,401</u>	\$ <u>-</u>	\$ <u>10,858,401</u>	\$ <u>10,585,375</u>	\$ <u>-</u>	\$ <u>10,585,375</u>
Changes in Net Assets before Change in Fair Value of Interest Rate Swap	\$ (68,827)	\$ -	\$ (68,827)	\$ (232,449)	\$ (1,091)	\$ (233,540)
Changes in Fair Value of Interest Rate Swap	<u>(53,486)</u>	<u>-</u>	<u>(53,486)</u>	<u>122,197</u>	<u>-</u>	<u>122,197</u>
Change in Net Assets	\$ (122,313)	\$ -	\$ (122,313)	\$ (110,252)	\$ (1,091)	\$ (111,343)
Net Assets, Beginning of Year	<u>5,838,188</u>	<u>-</u>	<u>5,838,188</u>	<u>5,948,440</u>	<u>1,091</u>	<u>5,949,531</u>
Net Assets, End of Year	\$ <u><u>5,715,875</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,715,875</u></u>	\$ <u><u>5,838,188</u></u>	\$ <u><u>-</u></u>	\$ <u><u>5,838,188</u></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, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	Total	Educational Services	General and Administrative	Fundraising	Total	Educational Services	General and Administrative	Fundraising
<u>Personnel, Salaries and Benefits:</u>								
Principal/Executive Salaries	\$ 460,817	\$ 302,468	\$ 147,091	\$ 11,258	\$ 571,505	\$ 413,024	\$ 143,754	\$ 14,727
Teachers' Salaries	2,100,720	2,100,720	-	-	1,877,756	1,877,756	-	-
Teachers' Aides/Assistants' Salaries	382,790	382,790	-	-	367,126	367,126	-	-
Other Educational Professional Salaries	1,364,016	1,364,016	-	-	1,535,987	1,535,987	-	-
Substitute Teacher Salaries	694,344	694,344	-	-	665,346	665,346	-	-
Clerical Salaries	252,171	200,597	51,574	-	287,362	245,499	41,863	-
Food Service Staff	-	-	-	-	5,814	5,814	-	-
Business Operation Salaries	236,117	150,051	79,260	6,806	152,177	121,742	30,435	-
Fiscal Salaries	-	-	-	-	58,680	-	58,680	-
Employee Benefits	703,588	665,661	35,612	2,315	640,942	613,866	25,348	1,728
Payroll Taxes	417,503	394,997	21,132	1,374	406,346	389,181	16,070	1,095
Staff Development Costs	<u>77,510</u>	<u>74,798</u>	<u>2,712</u>	<u>-</u>	<u>15,629</u>	<u>15,009</u>	<u>620</u>	<u>-</u>
Total Personnel, Salaries and Benefits	<u>\$ 6,689,576</u>	<u>\$ 6,330,442</u>	<u>\$ 337,381</u>	<u>\$ 21,753</u>	<u>\$ 6,584,670</u>	<u>\$ 6,250,350</u>	<u>\$ 316,770</u>	<u>\$ 17,550</u>
<u>Direct Student Costs:</u>								
Food Service	\$ 216,863	\$ 216,863	\$ -	\$ -	\$ 209,153	\$ 209,153	\$ -	\$ -
Student Supplies and Materials	120,967	120,967	-	-	119,130	119,130	-	-
Contracted Instructional/Student Services	96,280	96,280	-	-	46,475	46,475	-	-
Special Education	493,686	493,686	-	-	97,506	97,506	-	-
Educational Subscriptions	12,589	12,589	-	-	19,795	19,795	-	-
Other Student Costs	<u>28,914</u>	<u>28,914</u>	<u>-</u>	<u>-</u>	<u>42,895</u>	<u>42,895</u>	<u>-</u>	<u>-</u>
Total Direct Student Costs	<u>\$ 969,299</u>	<u>\$ 969,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,954</u>	<u>\$ 534,954</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Occupancy Costs:</u>								
Depreciation - Building	\$ 243,211	\$ 234,283	\$ 8,495	\$ 433	\$ 243,211	\$ 232,937	\$ 9,618	\$ 656
Interest Expense - Building	254,131	244,803	8,875	453	261,430	250,386	10,339	705
Rent	1,387,301	1,336,379	48,451	2,471	1,533,852	1,469,057	60,660	4,135
Building Insurance	21,935	21,130	766	39	14,707	14,085	582	40
Utilities	78,472	75,591	2,741	140	73,988	70,863	2,926	199
Contracted Building Services	35,986	34,665	1,257	64	27,436	26,277	1,085	74
Maintenance and Repairs	138,365	133,288	4,831	246	154,404	147,882	6,106	416
Janitorial Service/Supplies	<u>195,161</u>	<u>187,998</u>	<u>6,815</u>	<u>348</u>	<u>181,354</u>	<u>174,775</u>	<u>6,159</u>	<u>420</u>
Total Occupancy Costs	<u>\$ 2,354,562</u>	<u>\$ 2,268,137</u>	<u>\$ 82,231</u>	<u>\$ 4,194</u>	<u>\$ 2,490,382</u>	<u>\$ 2,386,262</u>	<u>\$ 97,475</u>	<u>\$ 6,645</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, 2019 AND 2018

	June 30, 2019				June 30, 2018			
	<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	\$ 11,000	\$ 10,596	\$ 384	\$ 20	\$ 19,067	\$ 18,262	\$ 754	\$ 51
Equipment Rental and Maintenance	22,950	22,107	801	42	18,503	17,721	732	50
Telecommunications	38,626	37,208	1,349	69	48,471	46,423	1,917	131
Postage and Shipping	1,023	985	36	2	1,174	1,125	46	3
Printing and Copying	6,257	6,027	219	11	9,564	9,160	378	26
Information Technology Support	3,544	3,414	124	6	-	-	-	-
Consulting	256,628	148,487	104,599	3,542	232,941	77,459	155,482	-
Marketing and Promotion	<u>4,816</u>	<u>4,816</u>	<u>-</u>	<u>-</u>	<u>3,336</u>	<u>3,336</u>	<u>-</u>	<u>-</u>
Total Office Expenses	<u>\$ 344,844</u>	<u>\$ 233,640</u>	<u>\$ 107,512</u>	<u>\$ 3,692</u>	<u>\$ 333,056</u>	<u>\$ 173,486</u>	<u>\$ 159,309</u>	<u>\$ 261</u>
<u>General Expenses:</u>								
Insurance	\$ 18,488	\$ 17,841	\$ 647	\$ -	\$ 19,667	\$ 18,887	\$ 780	\$ -
Meeting Expenses	6,076	5,853	212	11	406	388	17	1
Licenses and Permits	2,209	2,128	77	4	3,555	3,404	141	10
Dues and Subscriptions	13,045	12,566	456	23	19,246	18,433	761	52
Travel	7,188	6,925	251	12	8,056	7,716	319	21
Accounting and Legal Services	229,002	-	229,002	-	367,186	-	367,186	-
Payroll Service Fee	21,730	20,933	758	39	19,830	18,993	784	53
Authorizer Fee	95,046	80,789	14,257	-	91,719	88,082	3,637	-
Income Taxes	1,535	-	1,535	-	437	-	437	-
Depreciation	63,324	61,000	2,211	113	71,976	68,936	2,846	194
Moving Expenses	1,595	1,595	-	-	10,352	10,352	-	-
Office Expense	<u>40,882</u>	<u>38,078</u>	<u>1,381</u>	<u>1,423</u>	<u>29,883</u>	<u>26,813</u>	<u>1,107</u>	<u>1,963</u>
Total General Expenses	<u>\$ 500,120</u>	<u>\$ 247,708</u>	<u>\$ 250,787</u>	<u>\$ 1,625</u>	<u>\$ 642,313</u>	<u>\$ 262,004</u>	<u>\$ 378,015</u>	<u>\$ 2,294</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 10,858,401</u>	<u>\$ 10,049,226</u>	<u>\$ 777,911</u>	<u>\$ 31,264</u>	<u>\$ 10,585,375</u>	<u>\$ 9,607,056</u>	<u>\$ 951,569</u>	<u>\$ 26,750</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, 2019 AND 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ (122,313)	\$ (111,343)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	306,535	315,187
Debt Issuance Costs - Interest	14,775	14,775
Loss on Disposal of Fixed Assets	656	1,923
Unrealized Loss/(Gain) on Interest Rate Swap	53,486	(122,197)
Accounts Receivable - (Increase)/Decrease	(23,981)	(26,322)
Grants Receivable - (Increase)/Decrease	42,710	8,353
Promises Receivable - (Increase)/Decrease	3,881	2,410
Prepaid Expenses - (Increase)/Decrease	(43,134)	(12,051)
Deposits - (Increase)/Decrease	(551,860)	(630,166)
Accounts Payable - Increase/(Decrease)	138,861	28,701
Income Taxes Payable - Increase/(Decrease)	821	437
Accrued Interest Payable - Increase/(Decrease)	27	(100)
Accrued Salary and Vacation - Increase/(Decrease)	(69,111)	174,609
Payroll Withholdings and Related Liabilities - Increase/(Decrease)	59,466	39,005
Refundable Advances - Increase/(Decrease)	(155,806)	133,968
Deferred Revenues - Increase/(Decrease)	(32,520)	(6,107)
Deferred Rent - Increase/(Decrease)	<u>99,294</u>	<u>140,433</u>
Net Cash Flows from Operating Activities	\$ <u>(278,213)</u>	\$ <u>(48,485)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (17,797)	\$ (117,096)
Purchase of Money Market - Restricted for Collateral	(205,000)	-
Proceeds on Sale of Money Market - Restricted for Collateral	-	205,000
Purchase of Certificates of Deposit	-	(205,000)
Proceeds on Sale of Certificates of Deposit	<u>205,000</u>	<u>-</u>
Net Cash Flows from Investing Activities	\$ <u>(17,797)</u>	\$ <u>(117,096)</u>
<u>Cash Flows from Financing Activities:</u>		
Repayment on Notes	\$ <u>(159,312)</u>	\$ <u>(152,220)</u>
Net Cash Flows from Financing Activities	\$ <u>(159,312)</u>	\$ <u>(152,220)</u>
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	\$ (455,322)	\$ (317,801)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>3,757,152</u>	<u>4,074,953</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 3,301,830</u>	<u>\$ 3,757,152</u>

Supplemental Disclosures:

- a) Income taxes in the amount of \$277 were paid during the year ended June 30, 2019.
- b) Interest in the amount of \$239,329 and \$246,754, respectively, was paid during the years ended June 30, 2019 and 2018.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and Cash Equivalents	\$ 3,065,615	\$ 3,526,891
Cash Restricted for Long-Term Purposes	<u>236,215</u>	<u>230,261</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 3,301,830</u>	<u>\$ 3,757,152</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 5th grade children, utilizing hands-on Montessori materials which are developmentally appropriate, self-correcting, sequenced and flow from simple to complex in order for students to develop academically, socially and emotionally. LAMB's primary sources of support are local appropriations for Charter Schools from the District of Columbia Government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of Accounting and Presentation:

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

(b) Revenue Recognition:

Contributions

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.

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.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

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 students in grades pre-school through 5th grade. The hours of operation are structured to coincide with the typical workday of parents of the students. Both the before and after care programs offer food services. Tuition is collected based on a monthly fee. The amount of tuition ranges from full tuition to reduced tuition based on the National School Lunch Program guidelines.

(c) Corporate Taxes:

The Latin American Montessori Bilingual Public Charter School is exempt from federal income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Exemption from District of Columbia income taxes was granted to the Charter School effective February 14, 2006. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii).

Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019 and 2018, the Charter School recognized \$844 and \$437, respectively, 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.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Government Grants:

The Charter School receives grants from federal and state governmental agencies for various purposes in the form of exchange transactions. Grant revenues are recognized based on allowable costs incurred. Receivables related to grant awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant award. Funds received in advance for these types of grants and those that are unexpended as of year-end are reflected as a deferred revenue.

(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:

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.

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 year end.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

Net Assets with Donor Restrictions (Continued)

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 programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Art Education	\$ -	\$ 10,000
CHISPA Project	<u>-</u>	<u>1,091</u>
Total Net Assets Released from Restrictions	<u>\$ -</u>	<u>\$ 11,091</u>

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

In-kind contributions are recorded in the statements of activities at estimated fair value and recognized as revenue and expense in the period they are received, except for donated fixed assets, which are recorded as revenue in the period received and the asset depreciated over its estimated useful life. The estimated value of donated services has been recorded in the financial statements as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Legal Services	\$ 47,190	\$ -
Accounting Services	<u>-</u>	<u>9,500</u>
Total	<u>\$ 47,190</u>	<u>\$ 9,500</u>

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Basic Programs:

LAMB's mission is to create a self-directed learning environment in which children build a foundation of knowledge essential for a lifetime of learning while developing bi-literacy in English and Spanish. In order to accomplish our mission, LAMB utilizes the Montessori philosophy and pedagogy to provide children with an environment of academic excellence that celebrates their cultures and languages and leaves no question about their value as a human being. LAMB's goal is that students will be bilingual and bi-literate, able to read and write on grade level in both English and Spanish by the end of 5th grade.

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

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

LAMB utilizes a variety of assessments and evaluation tools including PARCC, DIBELS (English), IDEL (Spanish) and easyCBM (Math). LAMB tracks and reports student performance data to determine the degree to which it is meeting its academic and non-academic goals, and to provide increased instructional opportunities as needed.

In School Year 2018-19, LAMB has 476 students (Latino 33%, Black 17%, White 38%, Multiracial 9%, Asian 2%). Twenty percent of LAMB students are eligible for free and reduced lunch, 25% are English language learners and 12% are students with special needs.

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

(h) Functional Expense Allocation Policies and Procedures:

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.

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)

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.

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
PUBLIC CHARTER SCHOOL
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) Certificates of Deposit:

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

(m) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.
- The schedule of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018

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.

June 30, 2019

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 3,301,830
Accounts Receivable	108,351
Grants Receivable	<u>61,393</u>
Total Financial Assets	<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	\$ 211,215
Cash Held in Trust for CAM Reserve	<u>25,000</u>

Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 3,235,359</u>
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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.

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, 2019, 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.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

3. ACCOUNTING FOR UNCERTAIN TAX POSITIONS: (Continued)

As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 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, 2019, the Charter School had no accruals for interest and/or penalties.

4. CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT, 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, 2019</u>	<u>June 30, 2018</u>
Interest Bearing Checking Accounts	\$ 820,468	\$ 1,697,794
Savings Account - Interest Bearing	1,018,957	1,013,892
Money Market - Interest Bearing	463,129	252,032
Non-Interest Bearing Checking Accounts	85,939	267,721
Repurchase - Sweep Checking Account		
- Interest Bearing	911,337	318,713
Repurchase - Sweep Checking Account		
- Non-Interest Bearing	<u>2,000</u>	<u>2,000</u>
Subtotal	\$ 3,301,830	\$ 3,552,152
Less: Restricted Cash not included in Cash and Cash Equivalents	<u>(236,215)</u>	<u>(25,261)</u>
Cash and Cash Equivalents per Statements of Financial Position	<u>\$ 3,065,615</u>	<u>\$ 3,526,891</u>

Certificates of Deposit

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Certificates of Deposit	<u>\$ -</u>	<u>\$ 205,000</u>

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

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

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

As of June 30, 2019 and 2018, \$1,858,721 and \$2,453,267, 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, 2019 and 2018, respectively, was \$917,648 and \$294,746.

Restricted Cash

As a condition of the mortgage with M&T Bank, an amount of \$200,000 plus reinvested interest is required to be deposited into a reserve account for the purpose of debt service payments in the event the Latin American Montessori Bilingual Public Charter School lacks sufficient funds to make the required mortgage payments. As of June 30, 2019 and 2018, \$211,215 and \$205,261, respectively, was maintained in a debt service reserve account.

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

Total cash restricted of June 30, 2019 and 2018 was \$236,215 and \$230,261, respectively.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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.

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, 2019.

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.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

5. FAIR VALUE MEASUREMENTS: (Continued)

The following tables set forth by level, within the fair value hierarchy, the Charter School's assets and liabilities measured at fair value as of June 30, 2019 and 2018.

<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
<u>June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
Interest Rate Swap	\$ -	\$ 36,290	\$ -	\$ 36,290
Total	\$ -	\$ 36,290	\$ -	\$ 36,290

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

Accounts and Grants Receivable

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Interest	\$ 51,167	\$ -
Per Pupil Funding	47,160	29,774
Extended Learning Day and School Lunch Fees	8,484	4,125
Reimbursable Expenses	1,540	48,230
Employees	-	2,180
Other	-	61
Total	<u>\$ 108,351</u>	<u>\$ 84,370</u>
<u>Grants Receivable</u>		
National School Lunch Program	\$ 22,482	\$ 18,569
Individuals with Disabilities Education Act	17,096	47,538
No Child Left Behind - Entitlement	10,292	10,565
E-rate	5,938	-
DC School Choice Incentive - SOAR	3,897	25,480
State Healthy Schools Act	<u>1,688</u>	<u>1,951</u>
Total	<u>\$ 61,393</u>	<u>\$ 104,103</u>

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Accounts and Grants Receivable (Continued)

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

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. Management believes that an allowance was not required, based on its evaluation of collectability of receivables for the years ended June 30, 2019 and 2018.

Trade receivables related to program service fees are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Credit is extended for a period of 60 days with no interest accrual at which time payment is considered delinquent. Trade receivables are written off as uncollectable once management determines that available collection efforts have been exhausted.

Promises Receivable

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
General	\$ _____ -	\$ 3,881
Total	\$ _____ -	\$ 3,881

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

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 \$500 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

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, 2019 and 2018 was \$306,535 and \$315,187, respectively. Capitalized interest has been recorded as an addition to buildings and improvements in the amount of \$97,927 during the year ended June 30, 2009. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

June 30, 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>

June 30, 2018:

	<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	\$ 2,440,590	\$ 6,957,928
Land	-	721,000	-	721,000
Computer and Office Equipment	3-5 Years	<u>567,506</u>	<u>397,544</u>	<u>169,962</u>
Total		<u>\$ 10,687,024</u>	<u>\$ 2,838,134</u>	<u>\$ 7,848,890</u>

8. INTEREST RATE SWAP:

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

The swap mechanism is intended to allow the Charter School to realize the potential benefit of a lower fixed rate by reducing the impact of market changes in the variable interest rate. Interest expense related to the interest rate swap for the years ended June 30, 2019 and 2018 was \$(6,001) and \$37,566, respectively. At June 30, 2019 and 2018, the fair value of the interest rate swap was \$(17,196) and \$36,290, respectively and has been reflected as a liability and an asset in the statements of financial position.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. LOAN PAYABLE:

Manufacturers and Traders Bank

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

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

The Charter School is subject to various financial covenants including a debt service ratio of at least 1.20 to 1.0.

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

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

As required by this loan, the America's Charter School Finance Corporation, an affiliate of Building Hope, a Charter Schools Facility Fund, has provided a limited guarantee in the amount of \$340,000. The term of the guarantee is for a seven (7) year period or until the loan to value ratio reaches the standard 80% required by M & T Bank. The balance of this loan at June 30, 2019 and 2018 was \$4,925,012 and \$5,084,324, respectively.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

9. LOAN PAYABLE: (Continued)

Manufacturers and Traders Bank (Continued)

Future minimum required payments of principal and interest on this loan for the next year is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 4,948,581	\$ 4,925,012	\$ 23,569
Total	\$ 4,948,581	\$ 4,925,012	\$ 23,569

Debt Issuance Costs

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs is reported as interest expense in the statements of functional expenses. Long term debt at June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Notes Payable	\$ 4,925,012	\$ 5,084,324
Less: Unamortized Debt Issuance Costs	<u>(14,775)</u>	<u>(29,550)</u>
Subtotal	\$ 4,910,237	\$ 5,054,774
Less: Current Portion - Principal	(4,925,012)	(159,312)
Less: Current Portion - Debt Issuance Amortization	<u>14,775</u>	<u>14,775</u>
Total Long-Term Debt, Less Current Portion	<u>\$ -</u>	<u>\$ 4,910,237</u>

10. 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 14, the Charter School entered into rental operating lease agreements with the District of Columbia International School, which require annual fixed escalations. Accordingly, future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2019, was \$239,727.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

11. 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 18/19 and 17/18 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, 2019 and 2018, the Charter School incurred \$95,046 and \$91,719, 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, 2019, was not permitted to be greater than 513 students. Audit enrollment for the 2018/2019 year was 476 students and enrollment for the 2017/2018 year was 426 students.

12. 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, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the educational allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$13,744 for the educational allotment and \$3,193 for the facility allotment. Additional allotments were made for Special Education Services and English as a Second Language.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

12. PER-PUPIL FUNDING ALLOCATION: (Continued)

Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Grade Level - Pre-School - 5 th Grade	\$ 5,846,126	\$ 5,505,137
Special Education	960,742	908,376
English as a Second Language	626,690	683,524
Facilities Allowance	1,553,188	1,475,040
At-Risk Students	90,720	101,082
Teachers Collective Bargaining	<u>-</u>	<u>123,361</u>
Total	<u>\$ 9,077,466</u>	<u>\$ 8,796,520</u>

13. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in the following federal award programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
National School Lunch Program	\$ 106,275	\$ 95,439
DC School Choice Incentive - SOAR	96,915	86,117
Individuals with Disabilities Education Act (IDEA 611)	63,870	46,534
Elementary and Secondary Education Act (Title III)	22,603	19,108
Elementary and Secondary Education Act (Title II)	18,133	12,834
Donated Commodities	10,077	11,160
Individuals with Disabilities Education Act (IDEA 619)	<u>2,508</u>	<u>1,004</u>
Total	<u>\$ 320,381</u>	<u>\$ 272,196</u>

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

The 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.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS:

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

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

In addition to the sublease agreement, the Charter School Incubator Initiative (grantor) has provided a grant to the Latin American Montessori Bilingual Public Charter School to supplement the annual required usage fee. The grantor offers “Full Service Below Market Usage Fees” calculated as the number of students enrolled on each census date (October) multiplied by the per pupil facilities allowance provided by the District of Columbia Government (currently \$3,263 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, 2019, was \$466,609, which consisted of required lease payments of \$652,500 and a rent subsidy of \$185,891. Rent expense on this lease for the year ended June 30, 2018, was \$462,946, which consisted of required lease payments of \$652,500 and a rent subsidy of \$189,554.

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

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on June 23, 2016, with the Perry Street Prep Public Charter School (the sublessee) for the rental of a school facility located at 3825 18th Street, NE, in Washington, DC. The rental lease is effective for a twelve-year period commencing on July 1, 2016, and expiring on June 30, 2028. As a requirement of this lease, a total rental security deposit of \$48,140 was to be made. This lease called for quarterly lease payments of \$72,210 based on a total “Full Service Market Yearly Usage Fee” of \$288,840 for the entirety of the lease. This fee has been calculated using a full service market rate of \$29 per square foot. The annual usage fee is full service and includes all utilities (gas, water, electricity, and trash removal), building engineering, janitorial, maintenance and repairs, security monitoring and property management. As a provision of this lease, the Charter School provided the Perry Street Prep Public Charter School a first priority lien on, and security interest in any and all revenues, grants, awards and other payments, which fund in whole or in part, any of the operating costs of the subleased premises. The Charter School exercised a provision within the lease agreement permitting an early termination of this lease agreement effective June 30, 2018. Rent expense related to this lease for the year ended June 30, 2018, was \$280,840.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS: (Continued)

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

The Latin American Montessori Bilingual Public Charter School entered into a sublease rental agreement in November 2016 with the District of Columbia International School for the rental of a school facility located at the former Walter Reed Army Medical Center in Washington, DC. The rental lease is effective for a twenty-nine-year and eleven-month period after the commencement date. The Charter School is anticipating to exit this lease agreement on or about June 30, 2022. As a requirement of this lease, a total rental security deposit of \$130,166 is to be made. A reserve in the amount of \$25,000 is also required. This lease calls for quarterly lease payments. Annual base rent for year one is \$468,600, which is from the Substantial Completion date to June 30, 2018. Year two annual rent is \$624,800 and year three annual base rent is \$781,000. Each year thereafter, the base rent will increase by the lesser of (a) the percentage increase in the per pupil facilities allowance from the prior year or (b) three percent (3%). The Charter School is also responsible for its pro 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, 2019, was \$920,692, which included operating costs of \$196,598. Rent expense related to this lease for the year ended June 30, 2018, was \$782,066, which included operating costs of \$173,033. Future minimum rental lease payments due under this lease are as follows:

Year Ending June 30,

2020	\$ 781,000
2021	804,430
2022	828,563
2023	853,420
2024	879,022
Thereafter	<u>29,514,435</u>
Total	<u>\$ 33,660,870</u>

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

The Charter School entered into a lease agreement with Building Hope Fourteenth Street, Inc., for the rental of a school facility located at 5000 14th Street, NW, Washington, DC. This lease, as written, would commence on approximately August 1, 2019, and end on June 30, 2044, but was delayed by appeals as to zoning approvals. The Charter School has the option to extend the lease term for two additional successive periods of five years each. There is an option to purchase the property. As a requirement of this lease, a security deposit of \$1,000,000 was required. The Security Deposit will be reduced to \$50,000 when the landlord closes on the acquisition of the property. The Charter School has agreed to certain covenants but not limited to maintaining a fixed charge coverage ratio of not less than 1.20 to 1.00 effective for the year ending June 30, 2020. Scheduled fixed rent payments are based on acquisition and renovation costs. Anticipated monthly base rent for year one is \$94,005. There was no rent expense related to this lease for the year ended June 30, 2019.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

14. COMMITMENTS: (Continued)

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

On October 31, 2019, the District of Columbia Court of Appeals ruled in favor of the DC Board of Zoning Adjustment and the Charter School, affirming LAMB's zoning application. Following the delay, the Charter School and Building Hope Fourteenth Street are now focusing on the purchase option and are negotiating towards that end. No new agreements have been finalized, but financing term sheets have been received and are being evaluated, and efforts are proceeding towards that end, with the intent of occupying the property in August 2020.

Unsecured Credit Card

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

15. RELATED PARTY TRANSACTIONS:

Business Transactions

The Latin American Montessori Bilingual Public Charter School entered into a sub-sublease rental agreement on May 1, 2013, with the Charter School Incubator Initiative for the rental of a school facility located at 3825 18th Street, NE, in Washington, DC. The rental lease is effective for a fifteen (15) year period commencing on July 1, 2013, and expiring on June 30, 2028. A former board member of the Latin American Montessori Bilingual Public Charter School during the year ended June 30, 2018, was an officer on the board of the Charter School Incubator Initiative. Rental lease payments made to the Charter School Incubator Initiative for the year ended June 30, 2018, were \$462,946.

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

Board Members

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

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

16. CONCENTRATIONS:

Revenues

The Latin American Montessori Bilingual Public Charter School receives public funds from the DC government based on the number of students they enroll according to the Uniform Per Student Funding Formula developed by the Mayor and City Council. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2019 and 2018, eighty-four percent (84%) and eighty-five percent (85%), 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.

17. CONTINGENCIES:

Pending 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.

Charter School Operations

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

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

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

17. CONTINGENCIES: (Continued)

Charter School Operations (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.

18. SUBSEQUENT EVENTS:

Financial Statement Preparation

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 4, 2019, 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.

19. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$31,264 and \$26,750, respectively.

20. ADVERTISING COSTS:

Advertising and marketing costs are expensed when incurred. Marketing activities were conducted for the purpose of promoting open enrollment and recruiting to the Charter School and to provide outreach to the community. Advertising costs were incurred for the purpose of staff recruitment. Advertising and marketing expenses in the amount of \$4,816 and \$3,336 were incurred during the years ended June 30, 2019 and 2018, respectively.

21. 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.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

21. RETIREMENT PLAN: (Continued)

401(k) Profit Sharing Plan (Continued)

Participants are 100% vested in their contributions and the 3% employer safe harbor contribution. Authorized entry dates into the plan are January 1st and July 1st following the date that the eligibility requirements are met. There is no unfunded past service liability. In addition, there is a discretionary profit-sharing contribution determined on an annual basis that becomes fully vested after five years of service. The Charter School's contributions for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
3% Safe Harbor	\$ 121,040	\$ 117,363
2% Profit Sharing	69,973	61,917
Plan Fee	<u>5,768</u>	<u>3,354</u>
Total	<u>\$ 196,781</u>	<u>\$ 182,634</u>

22. EMPLOYEE BENEFITS:

The cost of fringe benefits incurred for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 387,506	\$ 384,567
Health Insurance	282,665	280,947
Health Reimbursement Account	152,402	107,697
Life and Disability Insurance	46,925	43,265
Retirement	196,781	182,634
Unemployment	21,421	21,779
Paid Leave Tax	8,576	-
Workers Compensation	23,464	22,363
De Minimus	<u>1,351</u>	<u>4,036</u>
Total	<u>\$ 1,121,091</u>	<u>\$ 1,047,288</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
1375 Missouri Avenue, NW
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Latin American Montessori Bilingual Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 4, 2019.

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 Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Latin American Montessori Bilingual Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2019-001.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones
Certified Public Accountants

Bedford, Pennsylvania
December 4, 2019

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

2018-001 Procurement and Contract Submission:

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

Status: This has been repeated as an issue in the current year ended June 30, 2019 as item number 2019-001.

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

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 contracts for services including three contracts for special education services that were selected during the audit for procurement testing. Over the course of the fiscal year, these three contracts had an aggregate value exceeding \$25,000, however they were not competitively bid.

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

Cause: Approximately halfway through the Charter School's June 30, 2019, fiscal year, there was turnover within the Charter School's staffing, including executive management, as well as finance personnel. Specifically, an Executive Director was hired, and a Chief Financial Officer was hired to replace the outsourced bookkeeping firm. This staffing change during 2019 was in addition to the staffing change that occurred during 2018. There was also turnover in special education staffing. Because of staff replacement, the procedures for awarding a contract were not conducted during the beginning of the fiscal year. The new staff identified developing internal procurement procedures as a priority for the 19/20 fiscal year.

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

LATIN AMERICAN MONTESSORI BILINGUAL
PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 Procurement and Contract Submission: (Continued)

Recommendation: We recommend that one individual within the Charter School be assigned the task of monitoring procurement contracts. This would include the determination of whether the contract is expected to exceed \$25,000 and if so, ensuring appropriate publication of contract bidding and the respective document submission to the DC Public Charter School Board. The status of contracts requiring procurement should be presented to the Board of Directors on a monthly basis for their review and discussion. We further recommend that if it is unclear whether a particular contract is subject to bidding requirements as promulgated by the School Reform Act, the Charter School should obtain an opinion from its internal counsel as to the applicability of the Act.

Views of Responsible Officials: School officials understand the importance of this matter identified by Kendall, Prebola and Jones, LLC, relating to bidding out necessary goods and services, appropriately evaluating vendor contracts, and complying with the DC Public Charter School Board's procurement requirements. Moving forward, before the Charter School begins engaging vendors for services, analyses of expected costs will be performed by the CFO/COO, and Staff Accountant. If the expected costs will exceed \$25,000, the CFO/COO will be responsible for overseeing compliance with all the procurement requirements stipulated by the DC Public Charter School Board. The Executive Director will be updated throughout the process and provide guidance to the CFO/COO as needed. Once all steps have been followed and a contract is executed, the CFO/COO will authorize the Staff Accountant to initiate payments for invoices received from the associated vendor.

LATIN AMERICAN MONTESSORI BILINGUAL PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000
UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
DCI	Rent - Walter Reed Facility	576,925	no
The MECCA Group, LLC	SPED Services	387,822	no
M and G Services	Custodial/Maintenance Services	254,515	no
CareFirst BlueChoice	Employee Group Health Insurance	234,083	no
Charter School Incubator Initiative	Rent - South Dakota Facility	232,761	no
Revolution Foods, Inc.	Food Services	199,528	no
Selena Gonzales Jones	Strategic Leadership Consulting and Organizational Support	78,011	no
Brad Karrer	Director of Building Operations - Temporary Contract Services	75,233	no
Building Hope	Accounting Services - Temporary Contract	73,000	no
Fairgreen Consulting	SPED Coaching and Support Services	59,500	no
PEPCO	Electrical Utility	57,645	no
UNUM Life Insurance Co of America	Group Life/Disability Insurance	51,118	no
Dynamic Kid LLC	Occupational Therapy services	44,013	no
Venable LLP	Legal Services	42,253	no
Selective Insurance Company of America	Liability Insurance	41,567	no
MedStar-Georgetown Medical Center, Inc.	Child and Classroom Capacity Building Consultation	41,000	no
Barrie School Institute for Advanced Montessori Studies	Professional Development	29,495	no
American Montessori Society	AMS Conference Registration	29,415	no
Office Equipment Management, Inc.	Copier Maintenance and Supplies	28,795	no
Kendall, Prebola and Jones, LLC	Financial Audit/990 Services	28,730	no
SubLime Kidz, LLC	SPED Services	27,527	no