

LEE MONTESSORI PUBLIC CHARTER SCHOOL

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

| | <u>Page No.</u> |
|--|-----------------|
| INDEPENDENT AUDITOR’S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statement of Activities, Year Ended June 30, 2019 | 4 |
| Statement of Activities, Year Ended June 30, 2018 | 5 |
| Statement of Functional Expenses, Year Ended June 30, 2019 | 6 |
| Statement of Functional Expenses, Year Ended June 30, 2018 | 7 |
| Statements of Cash Flows | 8 |
| Notes to the Financial Statements | 9 - 15 |
| 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 <i>Government Auditing Standards</i> | 16 -17 |
| SUPPLEMENTAL SCHEDULES REQUIRED BY DCPCSB | |
| Supplemental Schedule of Vendors paid over \$25,000, Year Ended June 30, 2019 | 18 |
| Supplemental Schedule of Vendor Contracts Awarded for over \$25,000, Year Ended June 30, 2019 | 19 |



Independent Auditor's Report

To the Board of Trustees
Lee Montessori Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Lee Montessori 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 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.

Lee Montessori Public Charter School
Independent Auditor's Report
Page Two

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 Lee Montessori 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of Lee Montessori 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lee Montessori Public Charter School's internal control over financial reporting and compliance.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 18-19, as required by D.C. Public Charter School Board ("DCPCSB"), 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.

Jane Marice & M. Quade PA

Washington, DC
November 22, 2019

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

| | 2019 | 2018 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 854,376 | \$ 920,280 |
| Grants receivable | 178,680 | 79,707 |
| Other receivable, net | 91,951 | 3,410 |
| Prepaid expenses and other deposits | 47,740 | 10,793 |
| Total Current Assets | 1,172,747 | 1,014,190 |
| PROPERTY AND EQUIPMENT | | |
| Furniture and fixtures | 266,193 | 205,507 |
| Equipment | 30,150 | 18,582 |
| Property and Equipment | 296,343 | 224,089 |
| Less: accumulated depreciation | (98,229) | (62,277) |
| Property and Equipment, Net | 198,114 | 161,812 |
| OTHER ASSETS | | |
| Security deposits | 10,000 | 5,000 |
| TOTAL ASSETS | \$ 1,380,861 | \$ 1,181,002 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 167,481 | \$ 145,849 |
| Accrued expenses | 171,222 | 113,950 |
| Deferred revenue | 84,169 | 15,034 |
| Total Liabilities | 422,872 | 274,833 |
| NET ASSETS | | |
| Without donor restrictions | 911,646 | 906,169 |
| With donor restrictions | 46,343 | - |
| Total Net Assets | 957,989 | 906,169 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,380,861 | \$ 1,181,002 |

The accompanying notes are an integral part of these financial statements.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

| | <u>Without donor Restrictions</u> | <u>With donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|-------------------|
| REVENUE AND SUPPORT | | | |
| Per pupil appropriations | \$ 3,451,412 | \$ - | \$ 3,451,412 |
| Per pupil facility allowance | 685,230 | - | 685,230 |
| Activity fees | 316,086 | - | 316,086 |
| Federal entitlements and grants | 242,404 | - | 242,404 |
| Other grants and contributions | 50,526 | 159,118 | 209,644 |
| In-kind contributions | 16,374 | - | 16,374 |
| Net assets released from restrictions | 112,775 | (112,775) | - |
| Total Revenue and Support | <u>4,874,807</u> | <u>46,343</u> | <u>4,921,150</u> |
| EXPENSES | | | |
| Program/Education | 3,876,014 | - | 3,876,014 |
| Supporting Services: | | | |
| Management and general | 839,783 | - | 839,783 |
| Fundraising | 153,533 | - | 153,533 |
| Total Expenses | <u>4,869,330</u> | <u>-</u> | <u>4,869,330</u> |
| CHANGE IN NET ASSETS | 5,477 | 46,343 | 51,820 |
| NET ASSETS, beginning of year | <u>906,169</u> | <u>-</u> | <u>906,169</u> |
| NET ASSETS, end of year | <u>\$ 911,646</u> | <u>\$ 46,343</u> | <u>\$ 957,989</u> |

The accompanying notes are an integral part of these financial statements.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | |
|---|--------------------------|
| REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS | |
| Per pupil appropriations | \$ 2,823,063 |
| Per pupil facility allowance | 565,113 |
| Activity fees | 266,188 |
| Federal entitlements and grants | 158,901 |
| Other grants and contributions | 18,511 |
| In-kind contributions | 31,126 |
| Total Revenue and Support | <u>3,862,902</u> |
| EXPENSES | |
| Program/Education | 2,901,475 |
| Supporting Services: | |
| Management and general | 697,409 |
| Fundraising | 88,692 |
| Total Expenses | <u>3,687,576</u> |
| CHANGE IN NET ASSETS | 175,326 |
| NET ASSETS, beginning of year | <u>730,843</u> |
| NET ASSETS, end of year | <u><u>\$ 906,169</u></u> |

The accompanying notes are an integral part of these financial statements.

LEE MONTESSORI PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

| | Program/ Education | Supporting Services | | Total |
|-------------------------------|-----------------------|---------------------------|-------------------|---------------------|
| | | Management and General | Fundraising | |
| PERSONNEL COSTS | | | | |
| Salaries | \$ 2,002,579 | \$ 412,561 | \$ 86,141 | \$ 2,501,281 |
| Employee benefits | 223,833 | 46,113 | 9,628 | 279,574 |
| Payroll taxes | 168,584 | 34,731 | 7,252 | 210,567 |
| Professional development | 114,812 | 23,653 | - | 138,465 |
| Travel and meeting | 26,638 | 5,488 | - | 32,126 |
| Total Personnel Costs | <u>2,536,446</u> | <u>522,546</u> | <u>103,021</u> | <u>3,162,013</u> |
| DIRECT STUDENT COSTS | | | | |
| Supplies and materials | 139,029 | - | - | 139,029 |
| Contracted student services | 14 | - | - | 14 |
| Textbooks | 394,925 | - | - | 394,925 |
| Student assessments | 1,055 | - | - | 1,055 |
| Food service | 115,666 | - | - | 115,666 |
| Other | 30,708 | - | - | 30,708 |
| Total Direct Student Costs | <u>681,397</u> | <u>-</u> | <u>-</u> | <u>681,397</u> |
| OCCUPANCY EXPENSES | | | | |
| Rent | 548,610 | 113,022 | 23,598 | 685,230 |
| Repair and maintenance | 2,595 | 534 | 112 | 3,241 |
| Total Occupancy Expenses | <u>551,205</u> | <u>113,556</u> | <u>23,710</u> | <u>688,471</u> |
| OFFICE EXPENSES | | | | |
| Office supplies and materials | 14,658 | 3,020 | - | 17,678 |
| Office equipment | 23,218 | 4,783 | - | 28,001 |
| Postage and shipping | 137 | 28 | - | 165 |
| Telephone | 5,784 | 1,187 | - | 6,971 |
| Total Office Expenses | <u>43,797</u> | <u>9,018</u> | <u>-</u> | <u>52,815</u> |
| GENERAL EXPENSES | | | | |
| Insurance | - | 13,211 | - | 13,211 |
| Professional fees | 2,460 | 120,957 | - | 123,417 |
| Authorizer fee | 30,899 | 6,366 | - | 37,265 |
| Depreciation | 29,810 | 6,141 | - | 35,951 |
| Professional fundraising fees | - | 26,660 | 26,802 | 53,462 |
| Other | - | 21,328 | - | 21,328 |
| Total General Expenses | <u>63,169</u> | <u>194,663</u> | <u>26,802</u> | <u>284,634</u> |
| Total Expenses | <u>\$ 3,876,014</u> | <u>\$ 839,783</u> | <u>\$ 153,533</u> | <u>\$ 4,869,330</u> |

The accompanying notes are an integral part of these financial statements.

LEE MONTESSORI PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

| | Program/ Education | Supporting Services | | Total |
|----------------------------------|-----------------------|---------------------------|-------------|--------------|
| | | Management and General | Fundraising | |
| PERSONNEL COSTS | | | | |
| Salaries | \$ 1,461,353 | \$ 313,513 | \$ 47,213 | \$ 1,822,079 |
| Employee benefits | 148,183 | 31,792 | 4,787 | 184,762 |
| Payroll taxes | 121,798 | 26,131 | 3,936 | 151,865 |
| Staff development | 157,296 | 12,114 | - | 169,410 |
| Total Personnel Costs | 1,888,630 | 383,550 | 55,936 | 2,328,116 |
| DIRECT STUDENT COSTS | | | | |
| Supplies and materials | 58,423 | - | - | 58,423 |
| Contracted student services | 310,704 | - | - | 310,704 |
| Textbooks | 9,520 | - | - | 9,520 |
| Student assessments | 5,484 | - | - | 5,484 |
| Food service | 95,391 | - | - | 95,391 |
| Other | 13,374 | - | - | 13,374 |
| Total Direct Student Costs | 492,896 | - | - | 492,896 |
| OCCUPANCY EXPENSES | | | | |
| Rent | 458,765 | 114,692 | - | 573,457 |
| Maintenance and repairs | 600 | 150 | - | 750 |
| Total Occupancy Expenses | 459,365 | 114,842 | - | 574,207 |
| OFFICE EXPENSES | | | | |
| Office supplies and materials | 16,266 | 4,067 | - | 20,333 |
| Printing and publications | 5,490 | 1,372 | - | 6,862 |
| Postage and shipping | 243 | 60 | - | 303 |
| Telephone | 5,503 | 1,376 | - | 6,879 |
| Other | 1,817 | 453 | - | 2,270 |
| Total Office Expenses | 29,319 | 7,328 | - | 36,647 |
| GENERAL EXPENSES | | | | |
| Insurance | 9,239 | 2,310 | - | 11,549 |
| Consultants | - | 29,078 | - | 29,078 |
| Authorizer fee | - | 36,840 | - | 36,840 |
| Accounting, auditing and payroll | - | 84,639 | - | 84,639 |
| Legal fees | - | 7,507 | - | 7,507 |
| Depreciation | 18,550 | 4,637 | - | 23,187 |
| Bad debt | - | 25,809 | - | 25,809 |
| Professional fundraising fees | - | - | 32,756 | 32,756 |
| Other | 3,476 | 869 | - | 4,345 |
| Total General Expenses | 31,265 | 191,689 | 32,756 | 255,710 |
| Total Expenses | \$ 2,901,475 | \$ 697,409 | \$ 88,692 | \$ 3,687,576 |

The accompanying notes are an integral part of these financial statements.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 51,820 | \$ 175,326 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 35,951 | 23,187 |
| Bad debt | - | 25,809 |
| (Increase) decrease in assets: | | |
| Grants receivable | (98,973) | (22,105) |
| Other receivable | (88,541) | (56,586) |
| Prepaid expenses | (36,947) | 290 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 21,632 | 53,428 |
| Accrued expenses | 57,272 | 30,753 |
| Deferred revenue | 69,135 | (36,733) |
| Net Cash Provided by Operating Activities | 6,349 | 193,369 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (72,253) | (63,962) |
| Net Cash Used for Investing Activities | (72,253) | (63,962) |
| NET CHANGE IN CASH | (65,904) | 129,407 |
| CASH, beginning of year | 920,280 | 790,873 |
| CASH, end of year | \$ 854,376 | \$ 920,280 |

The accompanying notes are an integral part of these financial statements.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018**

NOTE A – ORGANIZATION AND PURPOSE

Lee Montessori Public Charter School (the “School”) was organized in January 2013 as a not-for-profit organization dedicated to creating a peaceful, multi-age learning environment for public preschool and elementary aged children. The School fosters the physical, social, emotional, and academic growth and development of students and produce life-long learners. The School achieves its mission by:

- Inspiring academic success by providing Montessori curriculum in a holistic and developmentally responsive environment;
- Nurturing student creativity, curiosity and efficacy by promoting self-directed education;
- Offer individual paced academic instruction and activities;
- Engaging students in purposeful and collaborative community building activities;
- Fostering student’s use of inner discipline, concentration and task completion to encourage lifelong critical thinking and discovery, and
- Preserving and cultivating the innate capacity of students so they can reach their full potential as contributing global citizens.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School’s financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the School adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Financial Statements of *Not-For-Profit* organizations. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time or that must be maintained permanently by the School. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash

The School maintains its cash balances in bank deposit accounts which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the accounts may exceed these limits. The School believes it is not exposed to any significant credit risk on cash.

Grants and Other Receivable

Grants and other receivable are recorded when billed and represent claims against third parties that will be settled in cash. Grants receivable are reported net of an allowance for doubtful accounts, if any. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, the age of outstanding receivable and existing economic conditions. If actual experience changes, revisions to the allowance may be necessary. Past due grants receivable are written off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2019 and 2018, the majority of the receivables are due from governmental agencies. Management has established an allowance for doubtful accounts totaling \$25,000 and \$25,809 as of June 30, 2019 and 2018, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment acquired are recorded at cost or, if donated, at the approximate fair value at the time of donation.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are depreciated over the lesser of the estimated useful life of the asset or the lease term. Maintenance and repairs which do not improve or extend the life of the respective asset are charged to expense when incurred.

Deferred Revenue

Deferred revenue result from the School recognizing grant and activity fee revenue in the period in which the work is performed. Accordingly, grant and activity fee revenue which is received in the current fiscal year is deferred until the fiscal year in which the work is performed.

Revenue Recognition

Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the 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. When restrictions are met within the same year as restricted funds are contributed, they are classified as contributions without donor restrictions.

Per pupil appropriated revenue is recognized during the period for which the associated education services are provided. Per pupil appropriations includes \$804,391 and \$632,578 for enhancements, such as special education and at risk students, for the years ended June 30, 2019 and 2018, respectively.

Government entitlements and grants and are recognized during the period in which the work is performed. Accordingly, grant funds received in the current fiscal year, for work to be performed in the next fiscal year are recorded as deferred revenue.

Activity fees are recognized at the time of the activity. This revenue represents amounts collected from students for, but not restricted to, field trips, meals, camps and other school related activities.

In-kind Contributions

The School holds an annual fundraising event for which it receives in-kind contributions of goods that are auctioned. The in-kind contributions are recognized at fair value at the date of the donation.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy costs, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked.

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 certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOTE C – INCOME TAXES

The School is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. In addition, the School is classified as an entity that is not a private foundation under Section 509(a)(1).

The School believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The School's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The School's information returns for the years ending June 30, 2016 through 2018 are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The School regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to prudently invest available funds. The School's sources of liquidity at its disposal include cash and receivables.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018**

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

In addition to financial assets available to meet general expenditures over the next 12 months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The following reflects the School’s financial assets as of June 30:

| | 2019 | 2018 |
|---|--------------|--------------|
| Cash | \$ 854,376 | \$ 920,280 |
| Current receivable | 270,631 | 83,117 |
| Total | 1,125,007 | 1,003,397 |
| Less: net assets with donor restrictions | (46,343) | - |
| Total Financial Assets Available to meet Cash Needs for General Expenditures Within One Year | \$ 1,078,664 | \$ 1,003,397 |

NOTE E – OPERATING LEASE

The School entered into a lease agreement on April 15, 2016, with St. Paul on Fourth Street, Inc. (“St. Paul”) for leasing space to operate the School on its premises on fourth street for the School year beginning July 1, 2016. The term of this lease is through June 30, 2021, with an agreement to extend the lease for four additional five-year terms. The lease agreement is considered full service, as it covers rent, utilities, building maintenance repairs, cleaning and other miscellaneous services. In accordance with the terms of the lease agreement, the School is required to pay a usage fee, which is determined based on the number of student enrollment. The total annual usage fee is based on the number of students enrolled as of each census date (every October) multiplied by the greater of the per pupil facilities allowance received by the School from the District of Columbia, or \$3,124. Accordingly, the School cannot reasonably estimate its future minimum lease liability under the terms of the lease.

The lease agreement provides for an option for the School to purchase the leased premises. The option to purchase must be exercised by the School any time after the fifth anniversary, but before the tenth anniversary of the lease effective date. After the tenth anniversary, the purchase option will no longer be offered. The purchase price is determined based on the lessor’s all-in actual costs, as further defined in the lease agreement. As of the date these financial statements were available to be issued, management of the School has not evaluated the purchase option and plans to evaluate at a future time.

Rent expense for the years ended June 30, 2019 and 2018, totaled \$685,230 and \$573,457, respectively.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018**

NOTE E – OPERATING LEASE – continued

The School entered into a lease agreement with the Charter School Incubator Initiative in March 2019 for additional space. The lease is for the period July 1, 2019 through June 30, 2020. The rent for this space is equal to the per pupil funding allowance for that period multiplied by the number of students using this space during the fiscal year 2020.

NOTE F – RETIREMENT PLAN

The School sponsors a 403(b) deferred compensation retirement plan (the “Plan”) for all employees who are at least 21 years of age and work at least twenty hours per week. Eligible employees can become participants on the first day of the month immediately following the completion of eligibility requirements. Employees may make elective deferred contributions from their eligible earnings, up to the amount allowed by the Internal Revenue Service. It is optional for the School to match the first two percent of a participant’s compensation. The total retirement contributions were \$41,836 and \$21,267, respectively, for the years ended June 30, 2019 and 2018.

NOTE G – CONCENTRATIONS OF RISK

The School is supported primarily by local and federal appropriations and local grants. For the years ended June 30, 2019 and 2018, 96% and 99%, respectively, of the total revenue was provided by government agencies. Reduction of this source of support would have a significant impact on the School’s programs and activities. The geographical area of clients served is Ward 5 of the District of Columbia.

As of June 30, 2019 and 2018, the School had cash that exceeded federally insured limits by approximately \$600,000 and \$660,000, respectively. Management has evaluated the financial institutions and does not believe it is exposed to any significant credit risk.

NOTE H – COMMITMENTS AND CONTINGENT LIABILITIES

The School receives revenue from government grants and contracts that are subject to inspection and audit by the appropriate funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The School is of the opinion that disallowance, if any, arising from such audits will not have a material effect on the financial statements. The School has no provisions for the possible disallowance of program costs on its financial statements.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND JUNE 30, 2018**

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 totaled \$ 46,343 and are restricted for:

| | |
|--------------------------|-------------------------|
| Growth - East End Campus | \$ 46,143 |
| Nap Bags | <u>200</u> |
| Total | <u><u>\$ 46,343</u></u> |

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through November 22, 2019, the date the financial statements were available to be issued. There are no other events that required further recognition or disclosure.



**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***

To the Board of Trustees
Lee Montessori Public Charter School
Washington, DC

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 Lee Montessori Public Charter School (the "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 November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 for expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Purpose of this Report

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

Jane Maruca & McQuade PA

Washington, DC
November 22, 2019

SUPPLEMENTAL SCHEDULES REQUIRED BY DCPCSB

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
 SUPPLEMENTAL SCHEDULE OF VENDORS PAID OVER \$25,000
 YEAR ENDED JUNE 30, 2019**

| <u>Vendor Name</u> | <u>Services Provided</u> | <u>Amount Paid</u> |
|---|-----------------------------|--------------------|
| Amazon | Supplies | \$ 46,218 |
| DC Health Link | Health Insurance | 257,373 |
| EdOps | Financial and Data Services | 64,235 |
| Ellis Therapeutic Consultants, Inc. | SpED Services | 254,046 |
| National Center for Montessori in the Public Sector | Professional Development | 29,148 |
| Principal Financial Group | Retirement | 35,638 |
| St. Paul on Fourth Street | Rent | 284,697 |
| Top Spanish Café and Catering, Inc | Food Services | 115,666 |

Note: The above schedule includes all vendors/contractors paid equal to or greater than \$25,000 for which either a formal contract was executed or no formal contract was entered into or executed.

**LEE MONTESSORI PUBLIC CHARTER SCHOOL
SUPPLEMENTAL SCHEDULE OF VENDOR CONTRACTS AWARDED FOR OVER \$25,000
YEAR ENDED JUNE 30, 2019**

| <u>Vendor Name</u> | <u>Services Provided</u> | <u>Approximate Value</u> |
|-------------------------------------|--------------------------|--------------------------|
| Charter School Incubator Initiative | Rent | Over \$25,000 |

Note: The above schedule includes only those contracts entered into by the School as of June 30, 2019 for services that will equal to or be more than \$25,000 over the term of the contract, services have not begun, nor had anything been paid as of June 30, 2019.