

**MUNDO VERDE BILINGUAL
PUBLIC CHARTER SCHOOL**

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

JUNE 30, 2019 AND 2018

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Independent Auditors' Report

To the Board of Directors of
Mundo Verde Bilingual Public Charter School
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Mundo Verde 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 Mundo Verde 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of Mundo Verde 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 Mundo Verde 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 Mundo Verde Bilingual Public Charter School's internal control over financial reporting and compliance.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules on pages 21-22, as required by D.C. Public Charter School Board ("DCPCSB"), are the responsibility of management, and are presented for the purpose of additional analysis and are 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 Warner & McQuade PA

Washington, DC
November 25, 2019

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,396,836	\$ 748,813
Grants and accounts receivable, net	644,895	711,124
Prepaid expenses	71,629	93,194
Total Current Assets	3,113,360	1,553,131
NON-CURRENT ASSETS		
Cash and cash equivalents restricted by debt agreement	-	540,261
Property and equipment, net	14,493,367	14,453,134
Deposits	5,638	1,680
Total Non-Current Assets	14,499,005	14,995,075
TOTAL ASSETS	\$ 17,612,365	\$ 16,548,206
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 926,837	\$ 788,141
Deferred revenue	24,960	56,170
Capital lease obligation, current portion	8,490	8,076
Long-term debt, current portion	760,243	2,638,532
Total Current Liabilities	1,720,530	3,490,919
NON-CURRENT LIABILITIES		
Capital lease obligation, net	23,173	31,663
Long-term debt, net	9,879,320	8,631,329
Deferred rent	1,582,419	1,255,022
Total Non-Current Liabilities	11,484,912	9,918,014
TOTAL LIABILITIES	13,205,442	13,408,933
NET ASSETS		
Without donor restrictions	4,406,923	2,723,367
With donor restrictions	-	415,906
Total Net Assets	4,406,923	3,139,273
TOTAL LIABILITIES AND NET ASSETS	\$ 17,612,365	\$ 16,548,206

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

**MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 8,847,066	\$ -	\$ 8,847,066
Per pupil facility allowance	1,938,222	-	1,938,222
Federal entitlements and grants	496,024	-	496,024
Grants and contributions	125,882	169,007	294,889
Activity fees and other income	1,221,714	-	1,221,714
Net assets released from restrictions	584,913	(584,913)	-
Total Revenue and Support	<u>13,213,821</u>	<u>(415,906)</u>	<u>12,797,915</u>
EXPENSES			
Program services			
Educational programs	9,724,023	-	9,724,023
Support services			
Management and general	1,626,689	-	1,626,689
Fundraising	179,553	-	179,553
Total Support services	<u>1,806,242</u>	<u>-</u>	<u>1,806,242</u>
Total Expenses	<u>11,530,265</u>	<u>-</u>	<u>11,530,265</u>
CHANGE IN NET ASSETS	1,683,556	(415,906)	1,267,650
NET ASSETS, beginning of year	<u>2,723,367</u>	<u>415,906</u>	<u>3,139,273</u>
NET ASSETS, end of year	<u>\$ 4,406,923</u>	<u>\$ -</u>	<u>\$ 4,406,923</u>

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

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Per pupil appropriations	\$ 8,252,972	\$ -	\$ 8,252,972
Per pupil facility allowance	1,845,397	-	1,845,397
Federal entitlements and grants	351,119	-	351,119
Grants and contributions	134,999	247,970	382,969
In-kind donations	16,447	-	16,447
Activity fees and other income	1,045,604	-	1,045,604
Net assets released from restrictions	50,517	(50,517)	-
Total Revenue and Support	<u>11,697,055</u>	<u>197,453</u>	<u>11,894,508</u>
EXPENSES			
Program services			
Educational programs	10,029,395	-	10,029,395
Support services			
Management and general	1,515,228	-	1,515,228
Fundraising	124,552	-	124,552
Total support services	<u>1,639,780</u>	<u>-</u>	<u>1,639,780</u>
Total Expenses	<u>11,669,175</u>	<u>-</u>	<u>11,669,175</u>
CHANGE IN NET ASSETS	27,880	197,453	225,333
NET ASSETS, beginning of year	<u>2,695,487</u>	<u>218,453</u>	<u>2,913,940</u>
NET ASSETS, end of year	<u>\$ 2,723,367</u>	<u>\$ 415,906</u>	<u>\$ 3,139,273</u>

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

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Support Services		Total
	Educational Programs	Management and General	Fundraising	
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 4,938,968	\$ 773,315	\$ 109,772	5,822,054
Employee benefits	631,226	98,834	14,029	744,089
Payroll taxes	391,177	61,248	8,694	461,119
Professional development	220,397	34,509	-	254,906
Travel and meeting	65,920	10,321	-	76,241
Total Personnel, Salaries and Benefits	<u>6,247,688</u>	<u>978,227</u>	<u>132,495</u>	<u>7,358,409</u>
DIRECT STUDENT COSTS				
Supplies and materials	125,901	-	-	125,901
Transportation	150,560	-	-	150,560
Food service	230,705	-	-	230,705
Contracted instruction fees	583,954	-	-	583,954
Textbooks	34,621	-	-	34,621
Student assessments	19,784	-	-	19,784
Other student costs	212,705	-	-	212,705
Total Direct Student Costs	<u>1,358,230</u>	<u>-</u>	<u>-</u>	<u>1,358,230</u>
OCCUPANCY EXPENSES				
Rent	283,169	44,337	-	327,506
Maintenance and repairs	22,943	3,592	-	26,535
Utilities	49,082	7,685	-	56,767
Janitorial services	34,143	5,346	-	39,489
Contracted building services	266,064	41,659	-	307,723
Total Occupancy Expenses	<u>655,401</u>	<u>102,619</u>	<u>-</u>	<u>758,020</u>
OFFICE EXPENSES				
Office supplies and materials	24,695	3,867	-	28,562
Equipment rental	36,732	5,751	-	42,483
Telecommunications	14,760	2,311	-	17,071
Professional fees	132,604	282,915	-	415,519
Printing and publications	5,221	818	-	6,039
Postage and shipping	1,593	250	-	1,843
Computer and related	52,957	8,292	-	61,249
Total Office Expenses	<u>268,562</u>	<u>304,204</u>	<u>-</u>	<u>572,766</u>
GENERAL EXPENSES				
Insurance	57,279	8,968	-	66,248
Interest	399,583	62,564	-	462,147
Authorizer fee	97,826	15,317	-	113,143
Depreciation and amortization	565,291	101,074	-	666,365
Fees and licenses	74,163	11,611	-	85,774
Bad debt expenses	-	40,245	-	40,245
Other general expense	-	1,860	47,058	48,918
Total General Expenses	<u>1,194,142</u>	<u>241,639</u>	<u>47,058</u>	<u>1,482,840</u>
Total Expenses	<u>\$ 9,724,023</u>	<u>\$ 1,626,689</u>	<u>\$ 179,553</u>	<u>\$ 11,530,265</u>

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

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Support Services		Total
	Educational Programs	Management and General	Fundraising	
PERSONNEL, SALARIES AND BENEFITS				
Salaries	\$ 4,901,518	\$ 781,876	\$ 89,287	\$ 5,772,681
Employee benefits	632,766	100,936	11,527	745,229
Payroll taxes	365,399	73,045	7,170	445,614
Professional development	302,873	48,314	-	351,187
Total Personnel, Salaries and Benefits	<u>6,202,556</u>	<u>1,004,171</u>	<u>107,984</u>	<u>7,314,711</u>
DIRECT STUDENT COSTS				
Supplies and materials	95,504	-	-	95,504
Transportation	137,170	-	-	137,170
Food service	474,747	-	-	474,747
Contracted instruction fees	573,873	-	-	573,873
Textbooks	20,431	-	-	20,431
Student assessments	21,540	-	-	21,540
Other student costs	198,620	-	-	198,620
Total Direct Student Costs	<u>1,521,885</u>	<u>-</u>	<u>-</u>	<u>1,521,885</u>
OCCUPANCY EXPENSES				
Rent	305,563	48,743	-	354,306
Maintenance and repairs	19,938	3,181	-	23,119
Utilities	48,841	7,791	-	56,632
Janitorial services	28,951	4,618	-	33,569
Contracted building services	252,554	40,287	-	292,841
Total Occupancy Expenses	<u>655,847</u>	<u>104,620</u>	<u>-</u>	<u>760,467</u>
OFFICE EXPENSES				
Office supplies and materials	33,503	4,984	-	38,487
Equipment rental	37,336	5,956	-	43,292
Telecommunications	16,279	2,597	-	18,876
Professional fees	348,265	47,373	-	395,638
Printing and publications	6,007	958	-	6,965
Postage and shipping	787	125	-	912
Computer and related	59,149	9,435	-	68,584
Total Office Expenses	<u>501,326</u>	<u>71,428</u>	<u>-</u>	<u>572,754</u>
GENERAL EXPENSES				
Insurance	83,159	13,265	-	96,424
Interest	440,793	70,315	-	511,108
Authorizer fee	-	103,741	-	103,741
Depreciation and amortization	568,760	90,727	-	659,487
Fees and licenses	54,164	8,640	-	62,804
Bad debt expenses	-	48,321	-	48,321
Other general expense	905	-	16,568	17,473
Total General Expenses	<u>1,147,781</u>	<u>335,009</u>	<u>16,568</u>	<u>1,499,358</u>
Total Expenses	<u>\$ 10,029,395</u>	<u>\$ 1,515,228</u>	<u>\$ 124,552</u>	<u>\$ 11,669,175</u>

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

MUNDO VERDE BILINGUAL 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	\$ 1,267,650	\$ 225,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	666,365	659,487
Amortization of debt issuance costs	23,320	23,320
(Increase) decrease in assets:		
Grants and accounts receivable, net	66,229	(491,616)
Prepaid expenses	21,565	(58,315)
Cash and cash equivalents restricted by debt agreement	540,261	(540,261)
Deposits	(3,958)	647,944
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	138,696	(86,155)
Deferred revenue	(31,210)	(13,093)
Deferred rent	327,397	327,397
Net Cash Provided by Operating Activities	3,016,315	694,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(706,598)	(315,043)
Net Cash Used for Investing Activities	(706,598)	(315,043)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(8,076)	(20,170)
Principal payments on long-term debt	(653,618)	(627,658)
Net Cash Used For Financing Activities	(661,694)	(647,828)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,648,023	(268,830)
CASH AND CASH EQUIVALENTS, beginning of year	748,813	1,017,643
CASH AND CASH EQUIVALENTS, end of year	\$ 2,396,836	\$ 748,813
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 438,827	\$ 487,888

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

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE A – ORGANIZATION AND PURPOSE

Mundo Verde Bilingual Public Charter School (the “School”) is a not-for-profit organization, which was incorporated under the laws of the District of Columbia in 2008. The School has been approved by the District of Columbia Public Charter School Board to operate as a charter school in the District of Columbia. The charter agreement was signed in July 2011 and remains in effect for 15 years unless terminated sooner in accordance with contract. The School is DC’s first “green” public charter school. The School is dedicated to educating young people to become global stewards in an increasingly complex world.

The School is located at 30 P Street NW, Washington, DC. The School currently teaches preschool (3 year-olds) through fifth grade. The School is free to DC residents and admits students by lottery.

During June of 2014, the School entered into an operation agreement to become part of a consortium of schools which include: the District of Columbia Bilingual Public Charter Schools; Elsie Whitlow Stokes Community Freedom Public Charter School; Latin American Montessori Bilingual Public Charter School; and Washington Yu Ying Public Charter School. The consortium formed the District of Columbia International School (“DCI”). DCI operates a public charter school for middle and high school students focusing on language immersion and inquiry-based learning.

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.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT 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 and Cash Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of less than three months and money market funds to be cash equivalents.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements are comprised of cash and cash equivalents held by a trustee or the authority to fund the current portion of debt service and hold unspent loan proceeds and required project funds, if any. The restriction was released during fiscal year 2019.

Grants and Accounts Receivable

The School’s grants receivable consist of unsecured amounts due from public funding sources whose ability to pay is subject to appropriations. Accounts receivable are related to program service fees and are recognized as revenue on the accrual basis of accounting at the time the program activity has occurred. Management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection experience and existing economic conditions. Accounts deemed uncollectible are charged off based on this review. Management believes that all receivables will be collected within one year or less. Therefore, no allowance for doubtful accounts has been established.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Purchases of property and equipment over \$1,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the underlying assets, which range from 3 to 40 years. Leasehold improvements are amortized over the lesser of their useful life or the lease term. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are expensed when incurred.

Debt Issuance Costs

Cost incurred in the issuance of debt have been capitalized and are reported on the statement of financial position as a direct deduction from the related debt liability. Debt issuance costs are amortized as interest expense using the straight-line method over the remaining period of the debt, which approximates the effective interest method.

Deferred Revenue

Deferred revenue results from summer school fees and other income received in advance of services to be provided.

Deferred Rent

The School records rent expense including rent abatement on a straight-line basis over the term of the lease. Deferred rent is recorded for the difference in the rent expense recognized on a straight-line basis and the rent payments.

Per Pupil Appropriations

The School receives a student allocation on a per pupil basis from the District of Columbia to cover the cost of academic expenses. Per pupil appropriated revenue is recognized during the period for which the associated educational services are provided. Per pupil appropriation revenue includes \$1,902,953 and \$1,737,726 for enhancements such as special education, English language learners, and at-risk students for the years ended June 30, 2019 and 2018, respectively.

Federal Entitlements

Federal entitlement revenue is grants received primarily from the District of Columbia Government. The grants are subject to audit by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Federal Entitlements (continued)

No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Grants and Contribution Revenue

Contributions, including unconditional promises to give, are recognized as revenue in the period in which they are made. Grants are recognized as revenue in the period in which such promises or agreements are made, generally when the agreement has been received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions received with donor restrictions are recorded as revenue with donor restrictions based on the donor's intent. When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions

Donated facilities, goods and services are recorded at fair value at the date of donation. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. During the years ended June 30, 2019 and 2018, the School received \$0 and \$5,500 of donated goods, respectively. For the years ended June 30, 2019 and 2018, the School received donated legal services totaling \$0 and \$10,947, respectively.

Activity Fees

Activity fees are amounts earned from students for field trips, before and after care, summer camps, and other school related activities. These fees are recognized at the time the activity is held.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Methods 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 supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office, and occupancy, which are allocated on the basis of salaries and related costs determined by the estimated time expended.

NOTE C – INCOME TAXES

Mundo Verde Bilingual Public Charter School qualifies as a tax-exempt organization 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 has adopted the accounting of uncertainty in income taxes as required by the Income Taxes topic of the FASB ASC. This topic requires the School to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the School recording a tax liability that would reduce its net assets.

The School has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax positions taken on returns filed for open tax years ended June 30, 2016 to 2018 or expected to be taken in its fiscal year 2019 tax return. The School is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE D – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	2019	2018
Computers and related	\$ 312,040	\$ 280,426
Furniture and equipment	467,535	457,945
Renovation and leasehold improvements	15,968,165	15,942,731
Website	9,240	9,240
Construction in progress	616,638	-
	<u>17,373,618</u>	<u>16,690,342</u>
Less accumulated depreciation and amortization	<u>(2,880,251)</u>	<u>(2,237,208)</u>
Property and Equipment, Net	<u>\$ 14,493,367</u>	<u>\$ 14,453,134</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, totaled \$666,365 and \$659,487, respectively.

NOTE E – 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. Timing of revenue receipts also ensures the availability of necessary operational funds. The School’s sources of liquidity at its disposal include cash and cash equivalents and grants and accounts receivable. The School expects to expend all net assets with donor restrictions within the next year; therefore, such amounts have not been deducted from financial assets in the table below.

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 and cash equivalents	\$ 2,396,836	\$ 748,813
Grants and accounts receivable	644,895	711,124
Cash and cash equivalents restricted by debt agreements	-	540,261
Total Financial Assets	<u>3,041,731</u>	<u>2,000,198</u>
Less: cash and cash equivalents restricted by debt agreements	<u>-</u>	<u>(540,261)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 3,041,731</u>	<u>\$ 1,459,937</u>

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE F – LINE OF CREDIT

On January 5, 2015, the School entered into a line of credit agreement with United Bank for up to \$500,000. The line of credit bears an interest rate of 4.5% per annum. The line of credit was secured by the School's accounts receivable, equipment, and bank deposit accounts. Effective April 28, 2018, the School closed the line of credit. As of June 30, 2019 and 2018, there was no balance outstanding on the line of credit.

NOTE G – LONG-TERM DEBT

The proceeds of the financing discussed below were used to acquire and renovate the building currently used by the School.

During January 2014, the School secured tax-exempt District of Columbia Revenue Bonds, Series 2014, issued for \$11,480,000 (Revenue Bond). The Revenue Bond is collateralized by all assets of the School. The Revenue Bond is schedule to mature February 1, 2030. Revenue Bond interest only payments were due monthly at 4.00% per annum through February 1, 2015.

Interest plus principal payments are due monthly from March 1, 2015 at 4.00% per annum through January 1, 2020. The interest rate of subsequent periods will be the greater of the sum of the five year swap rate for the thirty day LIBOR rate plus 3.00% multiplied by one minus the bank tax rate and a factor based on the average cost of deposits of the bank and bank tax rate, or 4% per annum. Prepayment of the Revenue Bond in whole or in part is subject to a redemption percentage and additional fees and expenses. According to the terms of the debt, the School is required to maintain financial and nonfinancial covenants. As of June 30, 2019 and 2018, the School met the debt service coverage ratio.

During January 2014, the School obtained a loan from the Office of Public Charter School Financing and Support in the amount of \$2,000,000 (PCSFS Loan). The PCSFS Loan is paid by quarterly principal and interest payments at 4.5% per annum over a term of five years based on a 25-year amortization schedule. The collateral for the PCSFS Loan is a second lien on all assets of the School and all improvements to the property. A balloon payment of \$1,984,864 was scheduled to mature on January 15, 2019. On September 27, 2019, the School signed a refinancing commitment letter that would extend the terms of the loan agreement for an additional five years.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE G – LONG-TERM DEBT – continued

The following is a summary of the long-term debt as of June 30:

	<u>2019</u>	<u>2018</u>
District of Columbia Revenue Bonds (Series 2014)	\$ 8,843,787	\$ 9,493,581
Office of Public Charter School Financing and Support	1,984,864	1,988,689
	<u>10,828,651</u>	<u>11,482,270</u>
Less: current maturity	(760,243)	(2,638,532)
Less: debt issuance costs, net	(189,088)	(212,409)
Long-Term Debt	<u>\$ 9,879,320</u>	<u>\$ 8,631,329</u>

Debt issuance costs and accumulated amortization are as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Debt issuance costs	\$ 322,353	\$ 322,353
Less: accumulated amortization	(133,265)	(109,944)
Debt Issuance Costs, Net	<u>\$ 189,088</u>	<u>\$ 212,409</u>

Aggregate annual maturities of the debt are as follows for the years ending June 30:

2020	\$ 760,243
2021	874,425
2022	909,996
2023	947,016
2024	984,932
Thereafter	<u>6,352,039</u>
Total	<u>\$ 10,828,651</u>

NOTE H – LEASE COMMITMENTS

During 2014, the School entered into a lease agreement with the District of Columbia as the lessor for a thirty-year period. The lease term began on August 1, 2014, and is classified as an operating lease. Twelve months rent abatement is available to the School for every \$1 million spent for leasehold improvements; however, no more than a total of 180 months of rent shall be abated. The School met the minimum requirements to fully realize the available rent abatement.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE H – LEASE COMMITMENTS - continued

The lease contains escalation clauses and charges for other costs related to the leased space. Due to rent abatements earned, minimum required payments totaling \$9,821,907 begin in fiscal year 2029 through fiscal year 2045.

Facility rent expense for the years ended June 30, 2019 and 2018, totaled \$327,397 and \$327,397, respectively. Equipment rental expense for the years ended June 30, 2019 and 2018, totaled \$42,483 and \$43,292, respectively.

During September 2017, the School entered into a lease agreement for an additional school location with an unrelated private party. The term of the lease agreement commenced on June 1, 2017 and expires on June 15, 2047. The initial base rent under the terms of the lease agreement totaled \$1,119,490 with escalations beginning during the fiscal year 2020, after the landlord’s work on the building renovations was substantially completed. Additionally, the lease agreement allows for certain rent abatements. In conjunction with this lease, the School obtained a \$500,000 letter of credit with a bank. The base rent commencement date for this lease became effective during September 2019.

Future minimum payments under the new lease agreement are as follows:

2020	\$	1,119,490
2021		1,271,142
2022		1,381,677
2023		1,381,677
2024		1,463,364
Thereafter		44,438,572
Total	\$	<u>51,055,922</u>

NOTE I – CAPITAL LEASE

Effective in January 2018, the School entered into a new capital lease agreement to lease two copiers for a period of five years. The interest rate implicit in the new agreement is 5 percent per annum. The monthly payment is \$823 and the lease expires on December 31, 2022. The capitalized cost of the equipment under the capital lease totaled \$43,629 as of June 30, 2019 and 2018. Accumulated amortization on the equipment acquired by the capital lease totaled \$13,089 and \$4,363 as of June 30, 2019 and 2018, respectively. Amortization expense related to the equipment totaled \$8,726 and \$4,363 for the years ended June 30, 2019 and 2018, respectively.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE I – CAPITAL LEASE - continued

Minimum future lease payments under the capital lease are as follows for the years ending June 30:

2020	\$	9,880
2021		9,880
2022		9,880
2023		<u>4,940</u>
		44,460
Less interest		<u>(2,917)</u>
Total		<u><u>\$ 31,663</u></u>

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2019 and 2018, net assets with donor restrictions were designated for the following:

	<u>2019</u>	<u>2018</u>
Additional school location	\$ -	\$ 415,000
Green school	-	<u>906</u>
	<u>\$ -</u>	<u>\$ 218,243</u>

NOTE K – RETIREMENT PLAN

The School established a 401(k) qualified retirement plan (the Plan), under which employees who attain the age of 21 years or older and complete one consecutive month of employment are eligible to participate.

Under the Plan, the School will match a discretionary percentage of each participant’s salary. A discretionary profit-sharing contribution is also available. The total matching, discretionary contributions, and fees incurred by the School for the years ended June 30, 2019 and 2018, totaled \$162,776 and \$168,126, respectively.

MUNDO VERDE BILINGUAL PUBLIC CHARTER SCHOOL
NOTE TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(continued)

NOTE L – CONCENTRATIONS OF RISK

The School is dependent on funding from the District of Columbia, as authorized by the District of Columbia Public Charter Board. During the years ended June 30, 2019 and 2018, approximately 85% and 83% of total support was received from the District of Columbia, respectively.

The 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 and other DC Public Charter Schools. Uniform Per-Student Funding received from the District of Columbia is based upon actual student enrollment determined by an annual enrollment audit. As a result, actual revenue may vary materially from budgeted revenue if under-enrollment were to occur.

The School maintains its cash in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The School's cash routinely exceeds the FDIC limit. Management does not believe the School is exposed to any significant credit risk on its cash and cash equivalents.

NOTE M – SUBSEQUENT EVENTS

In preparing these financial statements, the School's management has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued. There were no events or transactions discovered during the evaluation that required recognition or further 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 Directors of
Mundo Verde Bilingual 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 Mundo Verde Bilingual Public Charter School (the "School"), 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 25, 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 of 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 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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jane Maruca & M^aQuade PA

Washington, DC
November 25, 2019

SUPPLEMENTAL SCHEDULES

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

Vendor Name	Services Provided	Amount Paid
CareFirst	Dental health insurance	\$ 546,442
Turner Impact Capital	8th Street Lease payments	540,000
DC Office of Tax & Revenue	Property tax (\$96,252 to be rebated by DC)	380,255
End-to-End Solutions for Special Education	Contracted SpEd services	265,152
PMM Companies	Custodial services	261,000
Rome Charters LLC	Bus services	183,126
EdOps	Accounting/HR services	157,745
D.C. Public Charter School Board	Authorizer fee	113,143
DC Treasurer	DC Teachers Retirement Plan contributions	106,887
Vamonos Tours	Student field trip	104,446
Delta-T Group Virginia, Inc	Contracted SpEd services	87,857
EI Education, Inc.	Professional development	76,325
Urban Teacher Center, Inc.	Contracted Instruction (teaching fellows)	75,000
The Class Produce Group, LLC	Student food supplies	68,911
Performance Foodservice	Student food supplies	58,844
Behavioral and Educational Solutions P.C	Contracted SpEd services	57,721
The Hartford	Business insurance	53,595
Michael J. Eig and Associates, PC	Legal services	46,633
MetLife Small Business Center	Employee dental insurance	46,542
Playground Specialists Inc.	Playground equipment	40,688
Reliance Standard Life Insurance Company	Employee life and LTD insurance	38,717
Jonathan Halperin	Development consulting	38,565
Cooley and Darling Insurance Agency	Business insurance	38,262
United Business Technologies	Copier fees	36,579
Daycon	Janitorial supplies	35,215
The Achievement Network	Professional development	33,000
DC Water and Sewer Authority	Utilities	30,175
Staples Advantage	Student/Office supplies	28,862
Littler Mendelson P.C.	Legal services	27,061

Note: The above schedule includes all vendors/contractors who were paid \$25,000 or more for which either a formal contract was executed or no formal contract was entered into, executed or negotiated during the fiscal year ended June 30, 2019.

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

Vendor Name	Services Provided	Approx. Value
NONE		

This schedule only reflects those unique vendors for which a verbal or written contract was entered into during fiscal year June 30, 2019, that are expected to equal or exceed \$25,000, for which services had not yet begun nor any payment received as of June 30, 2019. Therefore, this schedule does not include any vendors listed on the preceding schedule of vendors paid over \$25,000.