LATIN AMERICAN YOUTH CENTER

Financial Statements Together with Report of Independent Public Accountants

For the Years Ended September 30, 2013 and 2012

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

SEPTEMBER 30, 2013 AND 2012

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SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
Latin American Youth Center

Report on the Financial Statements

We have audited the accompanying statements of financial position of Latin American Youth Center (the Center) as of September 30, 2013, and 2012, and the related statements of activities and changes in net assets, 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. 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 the Center'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 Center'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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2013 and 2012, 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.

Washington, DC
May 7, 2014

SB & Company, LLC

LATIN AMERICAN YOUTH CENTER

Statements of Financial Position
For the Years Ended September 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ **130,065**	$ 34,812
Cash and cash equivalents, restricted	**-**	96,256
Investments	**4,347**	4,154
Accounts receivable		
Grants, net	**1,044,027**	914,945
Pledges, net	**583,407**	771,207
Other	**123,633**	66,020
Prepaid expenses	**4,992**	-
Assets held for sale, net	**658,848**	658,848
Property and equipment, net	**5,489,104**	5,717,471
Other assets	**80,329**	68,381
Deferred financing costs, net	**54,225**	231,375
Total Assets	$ **8,172,977**	$ 8,563,469
LIABILITIES AND NET ASSETS		
Liabilities		
Bank overdraft	$ **143,657**	$ 187,055
Accounts payable and accrued expenses	**395,391**	695,943
Due to related party	**380,431**	117,323
Accrued salaries and benefits	**618,387**	456,095
Deferred revenue	**444,944**	240,594
Lines of credit	**340,000**	1,069,287
Bonds payable	**-**	3,700,000
Notes payable	**5,350,000**	383,012
Swap valuation liability	**-**	242,905
Total Liabilities	**7,672,810**	7,092,214
Net Assets		
Unrestricted	**(71,040)**	639,541
Temporarily restricted	**571,207**	831,714
Total Net Assets	**500,167**	1,471,255
Total Liabilities and Net Assets	$ **8,172,977**	$ 8,563,469

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

LATIN AMERICAN YOUTH CENTER

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
Revenue and Other Support		
Contributions	$ 743,094	$ 1,199,362
Foundation and other grants	1,771,760	3,979,277
Governmental grants	8,334,560	7,448,870
Rental income	295,297	410,338
Management fee	382,045	41,453
Special event	475,464	378,998
Other	76,515	79,687
Total Revenue and Other Support	12,078,735	13,537,985
Net assets released from restriction	260,507	1,114,808
Total Revenue	12,339,242	14,652,793
Expenses		
Program services:		
Social services	2,252,268	3,461,283
Community Wellness	1,301,818	-
Education	1,862,190	2,066,296
Workforce investment and social enterprise	311,005	339,947
Maryland	3,138,828	2,804,223
Arts & media house	136,218	224,943
Client management	997,250	667,895
Advocacy	9,106	7,377
Career Academy	-	498,033
Supporting services:		
General and administrative	2,322,049	2,789,653
Fundraising	719,091	546,983
Total Expenses	13,049,823	13,406,633
Change in Unrestricted Net Assets	(710,581)	1,246,160
TEMPORARILY RESTRICTED NET ASSETS		
Foundation grants	-	779,107
Net assets released from restriction	(260,507)	(1,114,808)
Change in Temporarily Restricted Net Assets	(260,507)	(335,701)
Changes in net assets	(971,088)	910,459
Net assets, beginning of the year	1,471,255	560,796
Net Assets, End of Year	$ 500,167	$ 1,471,255

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

LATIN AMERICAN YOUTH CENTER

Statements of Cash Flows
For the Years Ended September 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Changes in net assets	**$ (971,088)**	$ 910,459
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	**377,539**	399,144
Amortization	**250,683**	11,568
Contribution to pay down mortgage	**-**	(642,055)
Net unrealized gain on investments	**(193)**	(217)
Donated property contribution	**(99,098)**	(16,720)
Effect of changes in non-cash operating assets and liabilities:		
Grants receivable, net	**(129,082)**	(932)
Pledges receivable, net	**187,800**	(771,207)
Other receivable	**(57,613)**	98,329
Prepaid expenses	**(4,992)**	25,003
Due to related party	**263,108**	-
Other assets	**(11,948)**	(9,355)
Accounts payable and accrued expenses	**(300,552)**	72,536
Deferred revenue	**204,350**	(165,188)
Accrued salaries and benefits	**162,292**	(91,144)
Swap valuation liability	**(26,407)**	(96,245)
Net Cash from Operating Activities	**(155,201)**	(276,024)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(50,074)**	(4,661)
Cash Flows from Financing Activities		
Payment of deferred financing costs	**(73,533)**	-
Bank overdrafts	**(43,398)**	187,055
Draw-downs on line of credit, net	**290,000**	70,000
Payment made on line of credit	**(1,019,287)**	-
Proceeds from note payable	**5,200,000**	150,000
Principal payments on notes payable	**(233,012)**	(725,619)
Contribution to pay down mortgage	**-**	642,055
Principal payments on bonds payable	**(3,700,000)**	(100,000)
Payment for swap valuation liability	**(216,498)**	-
Net Cash from Financing Activities	**204,272**	223,491
Net change in cash and cash equivalents	**(1,003)**	(57,194)
Cash and cash equivalents, beginning of year	**131,068**	188,262
Cash and Cash Equivalents, End of Year (including restricted cash of $96,256 as of September 30, 2012)	**$ 130,065**	$ 131,068
Supplemental Cash Flow Disclosure		
Cash paid for interest	**$ 210,205**	$ 92,945

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

LATIN AMERICAN YOUTH CENTER

Statement of Functional Expenses
For the Year Ended September 30, 2013, with Comparative Total for 2012

	2013											
	Program Services											
	Social Services	Community Wellness	Education	Workforce Investment and Social Enterprise	Maryland	Arts & Media House	Client Management	Advocacy	General and Administrative	Fundraising	Total	2012 Total
Salaries & fringe benefits	$ 1,492,696	$ 803,307	$ 1,335,248	$ 185,781	$ 1,914,809	$ 85,471	$ 788,711	$ 6,582	$ 449,187	$ 548,389	$ 7,610,181	$ 7,736,849
Occupancy	99,402	191,004	7,801	-	219,311	5,551	14,552	-	125,970	-	663,591	624,628
Client services	294,598	56,823	135,363	21,660	305,056	4,077	9,693	2,086	38,703	385	868,444	980,862
Training	19,439	2,501	661	12,924	26,600	-	3,198	100	3,582	333	69,338	134,975
Supplies	20,685	20,656	64,758	4,443	91,563	7,038	5,400	-	51,361	3,494	269,398	284,597
Professional & contractual	40,251	21,182	117,183	47,202	209,098	-	57,599	-	653,057	20,422	1,165,994	1,447,969
Printing	235	94	2,120	-	1,771	-	-	-	-	576	4,796	13,374
Rental & maintenance	7,665	1,547	1,103	-	1,522	3,435	-	-	65,207	-	80,479	65,457
Insurance	111,194	63,944	18,010	15,335	26,935	6,754	49,413	-	159,229	-	450,814	526,078
Communications	31,371	16,517	6,885	3,081	29,963	2,538	9,249	-	82,169	3,237	185,010	230,337
Travel & transportation	9,633	4,706	11,728	1,457	51,295	20	17,674	-	8,691	379	105,583	87,422
Depreciation	-	-	-	-	24,069	14,592	-	-	338,878	-	377,539	399,144
Provision for uncollectible receivables	-	-	-	-	-	-	-	-	33,641	-	33,641	204,817
Interest	79,235	45,565	68,467	10,928	116,132	4,813	35,211	338	113,461	-	474,150	104,513
Other	45,864	73,972	92,863	8,194	120,704	1,929	6,550	-	198,913	141,876	690,865	565,611
Total	$ 2,252,268	$ 1,301,818	$ 1,862,190	$ 311,005	$ 3,138,828	$ 136,218	$ 997,250	$ 9,106	$ 2,322,049	$ 719,091	$ 13,049,823	$ 13,406,633

The accompanying notes are an integral part of this financial statement.

LATIN AMERICAN YOUTH CENTER

Statement of Functional Expenses
For the Year Ended September 30, 2012

	Program Services										
	Social Services	**Education**	**Workforce Investment and Social Enterprise**	**Maryland**	**Arts & Media House**	**Client Management**	**Advocacy**	**LAYC Career Academy**	**General and Administrative**	**Fundraising**	**Total**
Salaries & fringe benefits	$ 2,353,208	$ 1,489,226	$ 150,184	$ 1,648,563	$ 135,365	$ 557,972	$ 7,377	$ 336,662	$ 573,940	$ 484,352	$ 7,736,849
Occupancy	172,605	3,656	50,344	213,299	9,007	-	-	2,878	172,839	-	624,628
Client services	421,783	223,650	12,238	290,768	4,241	6,697	-	21,485	-	-	980,862
Training	13,416	5,253	458	95,904	-	3,079	-	3,799	11,793	1,273	134,975
Supplies	61,994	59,646	5,744	65,554	13,964	4,569	-	7,463	63,198	2,465	284,597
Professional & contractual	103,165	183,095	85,108	232,261	29,522	1,667	-	16,205	750,411	46,535	1,447,969
Printing	3,471	1,363	1,546	3,363	404	-	-	-	1,483	1,744	13,374
Rental & maintenance	30,761	4,424	3,425	730	64	-	-	420	25,535	98	65,457
Insurance	129,758	21,017	17,895	31,432	7,882	57,663	-	74,619	185,812	-	526,078
Communications	45,006	9,004	2,805	37,646	2,063	18,733	-	829	111,070	3,181	230,337
Travel & transportation	14,321	11,335	6,372	38,102	-	10,199	-	1,433	4,980	680	87,422
Depreciation	-	-	634	25,749	14,611	-	-	-	358,150	-	399,144
Provision for uncollectable receivables	-	-	-	-	-	-	-	-	204,817	-	204,817
Interest	17,767	14,632	2,090	25,083	1,045	7,316	-	-	36,580	-	104,513
Other	94,028	39,995	1,104	95,769	6,775	-	-	32,240	289,045	6,655	565,611
Total	$ 3,461,283	$ 2,066,296	$ 339,947	$ 2,804,223	$ 224,943	$ 667,895	$ 7,377	$ 498,033	$ 2,789,653	$ 546,983	$ 13,406,633

The accompanying notes are an integral part of this financial statement.

1. BACKGROUND OF THE ORGANIZATION

The Latin American Youth Center (the Center) was organized under the laws of the District of Columbia as a not-for-profit corporation. The Center's purpose is to provide Latino, African-American and other multicultural youth and families with the education, skills, training and support they need to live, work and study with dignity, in good health and in neighborhoods that are safe and secure.

In October 2011, the Center began the LAYC Career Academy division to set up a public charter school. On March 16, 2012, LAYC Career Academy Public Charter School filed articles of incorporation with the Government of the District of Columbia, and on April 4, 2012, the Charter School was assigned an employer identification number by the IRS. The LAYC Career Academy is part of the accompanying financial statements of the Center for the period from October 1, 2011 through June 30, 2012. The LAYC Career Academy began its first year of operations on July 1, 2012, at which time the Center transferred the net assets to the new Academy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Center are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts invested in short-term investments with original maturities of three months or less. Cash equivalents as of September 30, 2013 and 2012, consisted of overnight investment accounts and money market funds.

Restricted cash of $96,256, was held in a sinking fund account for debt service related to the bonds payables as of September 30, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

Generally accepted accounting principles establish a framework for measuring fair value. 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 generally accepted accounting principles are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center 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; and
- 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 and significant to the fair value measurement.

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.

Accounts Receivable

Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Center's historical collection experience. As of September 30, 2013 and 2012, the allowance was $73,036.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable

For pledges expected to be collected in over one year, the Center discounts those pledges using a 2.13% and 2.49% discount rate for the years ended September 30, 2013, 2012, respectively. The rate is based on the Center's borrowing rate as of the balance sheet date.

Assets Held for Sale

Assets are considered to be held for sale when management approves and commits to a formal plan to actively market an asset for sale. Upon designation as held for sale, the carrying value of the assets are recorded at the lower of their carrying value or their estimated fair value, less costs to sell, and depreciation expense is no longer recorded on the assets.

Property and Equipment

Property and equipment purchases are recorded at cost. Donated property and equipment are capitalized at the estimated fair market value on the date received. Depreciation of property and equipment is recorded using the straight-line method over the estimated useful life of the assets.

Deferred Financing Costs

Deferred financing costs consist of costs related to a note payable entered into during the year ended September 30, 2013. The deferred financing costs of $73,533, will be amortized using the effective interest method over the life of the debt. The Center wrote off the deferred cost incurred on the bonds payable as of September 30, 2012, as the bonds were refinanced during 2013. The Center recorded $250,683 and $11,568, in amortization expense during the years ended September 30, 2013 and 2012, respectively, and recorded these amounts as interest expense in the accompanying statements of functional expenses.

Net Assets

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by the Center has been limited by donors, primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Permanently restricted net assets are those that are restricted by donors to be maintained by the Center in perpetuity. There are no permanently restricted net assets as of September 30, 2013 and 2012.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction.

Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of each respective lease.

The Center has several grants from the U.S. government, Maryland government and other entities. Revenue from such grants was recognized only to the extent of actual expenses incurred in compliance with those grants. For government grants, expenses incurred in excess of funds collected are reflected as grants receivable and funds collected in excess of expenses incurred are reflected in deferred revenue.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Center.

Income Taxes

The Center is a not-for-profit organization exempt from Federal income other than net unrelated business income tax under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity'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 Center performed an evaluation of uncertain tax positions as of September 30, 2013, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of September 30, 2013, the statute of limitations for tax years 2009 through 2012 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties for uncertain tax positions, if any, as income tax expense in the statement of activities and changes in net assets.

Financial Instruments

Financial instruments consist of cash, accounts receivable, accounts payable and notes payable. The carrying value of the Center’s financial instruments in the accompanying statements of financial position approximated their respective fair values as of September 31, 2013 and 2012. Fair values are estimated based on current market rates, prices or liquidation value.

Reclassification

Certain 2012 amounts have been reclassified to conform to the 2013 financial statement presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Subsequent Events

The Center evaluated the accompanying financial statements for subsequent events and transactions through May 7, 2014, the date these financial statements were available for issue. With the exception of the matter discussed below, no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

Subsequent to September 30, 2013, the Center sold two buildings located at 3033 & 3035 15th Street N.W., Washington, DC, for $2,500,000. These buildings were held for sale as of September 30, 2013, at a book value of $658,848. The proceeds were used to pay down outstanding notes and to create an operating reserve.

3. INVESTMENTS

The following is a description of the valuation methodology used for investments measured at fair value. There were no changes in the methodology used for the year ended September 30, 2013.

The Center's investments of $4,347 and $4,154 as of September 30, 2013 and 2012, respectively, consist of trust managed investments which are valued on underlying investments of the fund as valued by the fund's management.

The method previously 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 Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value hierarchy of the Centers' investments at fair value as of September 30, 2013 and 2012 is considered level 2.

As of September 30, 2013, and 2012, cost approximated market value.

The following schedule summarizes investment income included in other revenue in the accompanying statements of activities and changes in net assets:

	2013	**2012**
Dividends and interest	**$ 82**	$ 3,022
Net realized and unrealized gains	**188**	255
Total	**$ 270**	$ 3,277

4. PLEDGES RECEIVABLE

Pledges receivable as of September 30, 2013, and 2012, were as follows:

	2013	**2012**
Amounts due in:		
2013	**$ -**	$ 200,000
2014	**200,000**	200,000
2015	**200,000**	200,000
2016	**200,000**	200,000
Total	**600,000**	800,000
Less: discount at 2.13% and 2.49%	**16,593**	28,793
Pledges receivable, net	**$ 583,407**	$ 771,207

5. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2013 and 2012, consisted of the following:

	2013	2012	Useful Life
Land	**$ 37,180**	$ 37,180	N/A
Buildings	**7,410,996**	7,410,996	30 years
Leasehold improvements	**549,006**	549,006	2-7 years
Furniture and office equipment	**1,450,542**	1,385,542	5 years
Automobiles	**64,553**	17,852	5 years
Software	**161,543**	124,072	5 years
	9,673,820	9,524,648	
Less: accumulated depreciation	**4,184,716**	3,807,177	
Property and equipment, net	**$ 5,489,104**	$ 5,717,471	

Depreciation expense for the years ended September 30, 2013 and 2012, was $377,539 and $399,144, respectively.

6. ASSETS HELD FOR SALE

Assets held for sale as of September 30, 2013, and 2012, consisted of the following:

	Amount
Buildings	**$ 970,924**
Less: accumulated depreciation	**312,076**
Assets held for sale, net	**$ 658,848**

7. BONDS PAYABLE

On September 13, 2007, the Center entered into a loan agreement with the District of Columbia (the District) to issue and sell tax-exempt bonds that would be used to pay down the $2,675,000, term note and to finance the costs of renovating the newly acquired properties and other Center properties. The total proceeds from the bonds were $4,070,000. The interest expense incurred on the bonds during the years ended September 30, 2013 and 2012, were $40,274 and $41,375, respectively. The balance of bonds payable as of September 30, 2012 was 3,700,000. The Center paid off the balance of the bonds payable during the year ended September 30, 2013, with a new note payable (see Note 9).

8. VALUATION OF INTEREST RATE SWAP AGREEMENT

On October 1, 2007, the Center entered into an interest rate swap agreement with M&T Bank (M&T) for a seven-year term ending October 1, 2014, to fix the effective interest rate on the bonds payable. Under the agreement, the Center paid M&T Bank a fixed rate of interest of 3.83% and M&T paid the Center a variable rate of interest based on the LIBOR plus 1.5% on a monthly basis. The interest payments were based on the notional amount, which was equal to the outstanding principal balance of the bonds. In accordance with generally accepted accounting principles, as of September 30, 2012, the Center recorded a liability of $242,905, which approximated the fair market value of the interest rate swap. An adjustment in the amount of $96,245 for the year ended September 30, 2012, was recorded to properly state the swap liability at fair market value, and the amount was included in interest and related financing costs in the accompanying statements of activities and changes in net Assets. The Center terminated the swap agreement when they refinanced the bonds payable in February, 2013. The Center paid a termination fee of $216,498, and the remaining balance was recorded in interest expense in the accompanying statement of activities and changes in net assets. The amount of swap interest incurred for the years ended September 30, 2013 and 2012 was $26,407 and, $5,717, respectively.

9. NOTES PAYABLE

As of September 30, 2013 and 2012, the Center had the following notes payable outstanding:

	2013	2012
EagleBank mortage payable due February 1, 2016	**$ 5,200,000**	$ -
M&T note payable due July 1, 2014	**-**	159,012
M&T term loan due July 1, 2014	**-**	74,000
Loan due on demand	**150,000**	150,000
	$ 5,350,000	$ 383,012

In February, 2013, the Center entered into a loan agreement with a financial institution for $5,200,000, and is secured by a first deed of trust on the Center's properties at 1419 Columbia Rd., Washington, DC, and the Center assigned its interest in leases resulting in rent earned on space rented on the premises. The note has a fixed interest rate equal to 5.75% per annum. The note calls for monthly interest only payments due until maturity on February 1, 2016, when unpaid principal and interest are due. Interest expense incurred during the year ended September 30, 2013, was $128,158. The note includes a covenant that audited financial statements must be presented to the bank within 120 days after fiscal year end. The Center received a waiver for the year ended September 30, 2013.

9. NOTES PAYABLE (continued)

The Center entered into a loan agreement with a financial institution for $500,000, and was secured by a first deed of trust on the Center's properties at 3033 15th Street, NW and 3035 15th Street, NW. The note had a variable interest rate at the one year LIBOR plus 150 basis points (2.49% as of September 30, 2012). The note called for monthly principal and interest payments of $4,904, with a balloon payment of $283,333, due in July 2014. The outstanding balance on this loan as of September 2012 was $159,012. The Center paid of the note during the year ended September 30, 2013. Interest expense incurred during the years ended September 30, 2013 and 2012 was $769 and $2,517, respectively.

The Center entered into a term loan with a financial institution in September 2007, in the amount of $111,000. The loan boar interest at LIBOR plus 1.50% and matured on July 1, 2014. The note calls for monthly principal payments of $617, plus interest. The outstanding balance on this loan as of September 30, 2012 was $74,000. The Center paid off the balance of the note during the year ended September 30, 2013. Interest expense incurred during the years ended September 30, 2013 and 2012 was $445 and $2,249, respectively.

In September, 2012, the Center entered into a loan agreement with an executive of the Center for $150,000. Accrued interest and principal were due on demand. Interest accrues on the unpaid principal balance of this note at the rate of 5% per annum and interest expense was $7,500, and $313 as of September 30, 2013 and 2012, respectively. No principal or interest payments were made during the years ended September 30, 2013, and 2012, respectively. The outstanding balance of the loan as of September 30, 2013 and 2012, was $150,000. This loan was paid off subsequent to year end with the proceeds of the sale of the building discussed in Note 2.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $571,207 and $831,714, were available for various programs as of September 30, 2013 and 2012, respectively.

11. COMMITMENTS AND CONTINGENCIES

Lines of Credit

The Center had a $1,050,000, line of credit with a bank that is collateralized by the assignment of certain grants and contracts and is due on demand. Interest was charged at the bank's index rate, which was 3.6% as of September 30, 2012, and was payable monthly. The outstanding amount on this line of credit as of September 30, 2012, was $1,019,287. The Center paid off the line of credit during the year ended September 30, 2013. The interest expense incurred on this line of credit during the years ended September 30, 2013 and 2012, was $15,527 and $21,807, respectively.

11. COMMITMENTS AND CONTINGENCIES (continued)

Lines of Credit (continued)

The Center obtained a loan from a board member during the year ended September 30, 2011, in the amount of $300,000, that was non-interest bearing. The loan was made to provide working capital for the Center. The Center paid the balance of the loan during the year ended September 30, 2012.

The Center obtained a loan from a former board member during the year ended September 30, 2012, in the amount of $100,000, that is non-interest bearing. The loan was made to provide working capital for the Center. The outstanding balance as of September 30, 2013, and 2012 was $50,000.

The accompanying financial statements include imputed interest expense and contribution revenue at a rate of 2.13% and 2.49%, based off the LIBOR rate plus 1.5%, for the years ending September 30, 2013 and 2012, respectively. Management has recorded the related expense and revenue of $1,065 and $2,812, for the years ended September 30, 2013 and 2012, respectively.

The Center had a $415,000, line of credit with a bank that is secured by a second deed of trust on the Center's properties at 1419 Columbia Rd., Washington, DC, 20009. The line of credit has a fixed interest rate equal to 5.5% per annum. The balance of the line of credit as of September 30, 2013 was $290,000. The interest expense incurred on this line of credit during the year ended September 30, 2013, was $3,322.

Operating Leases

The Center leases office space and equipment under operating leases which expires during 2021. Future minimum rental payments under the operating leases as of September 30, 2013, were as follows:

Years Ending September 30,	Amount
2014	$ 177,034
2015	56,015
2016	57,696
2017	59,427
2018	61,210
Thereafter	177,775
Total	**$ 589,157**

The lease expense for the years ended September 30, 2013 and 2012, was $469,599 and $405,131, respectively.

11. COMMITMENTS AND CONTINGENCIES (continued)

Grants

Reimbursed costs under the Center's government awards are subject to final determination of allowability by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

12. DEFINED CONTRIBUTION PLAN

The Center provides benefits to all eligible employees under a defined contribution plan at a rate determined annually by the Board of Directors. Eligible employees are able to contribute up to the annual Federal cap after completing 24 months of service at the Center. The employer contribution for the years ended September 30, 2013 and 2012, was $438 and $7,698, respectively.

13. RELATED-PARTY TRANSACTIONS

On November 5, 2001, the Center was awarded a charter school contract by the District of Columbia Public Schools for the establishment of the Latin American Montessori Bilingual Public Charter School. A nonprofit organization has been formed to operate this school. The Center did not incur any costs related to the school.

On October 7, 2004, the Center was awarded a charter school contract by the District of Columbia Public Schools for the establishment of the Youth Build Public Charter School. A nonprofit organization has been formed to operate this school. The Charter School reimbursed the Center $313,784 and $339,244, for shared costs during the years ended September 30, 2013 and 2012, respectively.

During the year ended September 30, 2013, the Center entered into a Charter School Management Agreement with the LAYC Career Academy Public Charter School (the Career Academy). The Center earned $382,045, related to management fees for the year ended September 30, 2013, under this agreement. The Center also received $410,000 in working capital loans from the Career Academy during the year ended September 30, 2013. The Center received a $900,000, grant on behalf of Career Academy during the year ended September 30, 2013. The unremitted funds related to this grant are included in the due to the related party on the statements of financial position. The net of the above activity is included in the amount due to the Career Academy as of September 30, 2013, which was $380,431.