

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
FINANCIAL STATEMENTS
AUGUST 31, 2009 and 2008

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees:

Escuela Tlatelolco Centro de Estudios
Denver, Colorado

We have audited the accompanying statements of financial position of Escuela Tlatelolco Centro de Estudios (a not-for-profit organization) as of August 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Escuela Tlatelolco Centro de Estudios as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MIDDLEMIST, CROUCH & CO., CPA's, P.C.



Boulder, Colorado
November 10, 2009

FINANCIAL STATEMENTS

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
 Statements of Financial Position
 August 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,032	\$ 27,791
Tuition and books receivable (net of allowance of \$5,679 and \$4,212)	9,559	8,314
Services revenue receivable	1,290	-
Grants receivable-restricted	10,000	66,000
Other receivables	5,945	3,798
Prepaid expenses	12,354	5,123
Deposits	6,152	6,152
Property and equipment	1,500,333	1,555,399
Assets whose use is limited	77,596	46,029
Bond issuance costs (net of amortization of \$38,755 and \$34,485)	50,923	55,194
	<u>\$ 1,676,183</u>	<u>\$ 1,773,800</u>
Total assets		
 COMMITMENTS AND CONTINGENCIES		
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 81,220	\$ 88,034
Accrued expenses	47,968	82,332
Line of credit	2,988	10,218
Deferred tuition and services revenue	50,991	60,697
Short-term notes payable	50,937	-
Long-term leases	3,189	6,923
Long-term debt	200,138	221,139
Bonds payable	1,040,000	1,090,000
Total liabilities	<u>1,477,431</u>	<u>1,559,343</u>
 NET ASSETS		
Unrestricted	31,083	(34,270)
Temporarily restricted by donors	167,669	248,726
Total net assets	<u>198,752</u>	<u>214,456</u>
	<u>\$ 1,676,183</u>	<u>\$ 1,773,799</u>
Total liabilities and net assets		

See accompanying notes to financial statements.

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
 Statements of Activities
 For the years ended August 31, 2009 and 2008

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Grants	\$ 246,375	\$ 218,546
Contributions	124,359	123,215
Special events (net of expenses of \$40,365 and \$53,735)	107,301	109,340
Tuition and books	118,678	144,546
Services income	611,338	576,220
Net investment income	695	1,828
Other income	5,351	9,663
Total revenue	1,214,097	1,183,358
Net assets released from restrictions	248,726	178,745
Total unrestricted revenue	1,462,823	1,362,103
Expenses		
Program services	1,173,734	1,204,481
Fundraising	80,014	40,062
Management and general	143,722	161,150
Total unrestricted expenses	1,397,470	1,405,693
Increase (decrease) in unrestricted net assets	65,353	(43,590)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants	157,669	248,726
Contributions	10,000	-
Net assets released from restrictions	(248,726)	(178,745)
Increase in temporarily restricted net assets	(81,057)	69,981
CHANGE IN NET ASSETS	(15,704)	26,391
NET ASSETS--BEGINNING OF YEAR	214,456	188,065
NET ASSETS--END OF YEAR	\$ 198,752	\$ 214,456

See accompanying notes to financial statements

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Statement of Functional Expenses
For the year ended August 31, 2009

	Program Services	Fundraising	Management and General	2009 Total
Advertising	\$ -	\$ -	\$ -	\$ -
Amortization	3,629	-	642	4,270
Bad debts	-	-	18,552	18,552
Bank charges	-	-	7,415	7,415
Board expenses	-	-	1,685	1,685
Contract labor	155,454	18,289	9,144	182,887
Contribution	-	-	1,000	1,000
Delivery services	-	-	-	-
Depreciation	62,902	-	11,102	74,004
Dues and membership	-	-	-	-
Employee benefits	44,704	2,630	5,259	52,593
Equipment rental	16,629	-	2,934	19,563
Fundraising	-	42,706	-	42,706
Instructional material	14,145	-	-	14,145
Insurance	8,254	-	1,457	9,711
Interest	112,935	-	19,929	132,864
Legal and accounting	13,576	-	7,310	20,886
Health clinic	6,593	-	-	6,593
Miscellaneous	5,246	-	925	6,171
Office supplies	6,471	-	2,156	8,626
Pension plan contribution	-	-	-	-
Postage	-	242	1,372	1,614
Printing	-	-	-	-
Program costs	70,594	-	-	70,594
Repairs and maintenance	18,717	-	18,717	37,434
Salaries and payroll tax	599,337	16,148	29,065	644,550
Security	611	-	109	720
Staff development	4,494	-	-	4,494
Taxes and licenses	16	-	90	106
Technology	4,128	-	-	4,128
Telephone	5,933	-	1,483	7,416
Transportation	239	-	-	239
Utilities	19,127	-	3,377	22,504
	-	-	-	-
Total expenses	\$ 1,173,734	\$ 80,014	\$ 143,722	\$ 1,397,470

See accompanying notes to financial statements

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Statement of Functional Expenses
For the year ended August 31, 2008

	Program Services	Fundraising	Management and General	2008 Total
Advertising	\$ 3,443	\$ 918	\$ 229	\$ 4,590
Amortization	3,327	-	588	3,915
Bad debts	-	-	4,110	4,110
Bank charges	-	-	8,822	8,822
Board expenses	-	-	5,128	5,128
Contract labor	174,337	20,510	10,255	205,102
Contribution	-	-	1,598	1,598
Delivery services	13	-	35	48
Depreciation	61,173	-	10,796	71,969
Dues and membership	1,800	-	318	2,118
Employee benefits	35,592	2,094	4,187	41,873
Equipment rental	10,851	-	1,915	12,766
Fundraising	-	-	-	-
Instructional material	5,031	-	-	5,031
Insurance	9,402	-	1,659	11,061
Interest	91,782	-	16,196	107,978
Legal and accounting	7,192	-	3,873	11,065
Health clinic	3,808	-	-	3,808
Miscellaneous	2,837	-	500	3,337
Office supplies	2,667	-	888	3,555
Pension plan contribution	411	24	50	485
Postage	-	368	2,082	2,450
Printing	558	-	99	657
Program costs	96,275	-	-	96,275
Repairs and maintenance	7,142	-	7,141	14,283
Salaries and payroll tax	629,822	16,148	73,971	719,941
Security	662	-	118	780
Staff development	17,494	-	-	17,494
Taxes and licenses	106	-	602	708
Technology	6,553	-	-	6,553
Telephone	4,159	-	1,040	5,199
Transportation	-	-	-	-
Utilities	28,044	-	4,950	32,994
	-	-	-	-
Total expenses	<u>\$ 1,204,481</u>	<u>\$ 40,062</u>	<u>\$ 161,150</u>	<u>\$ 1,405,693</u>

See accompanying notes to financial statements

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Statements of Cash Flows
For the years ended August 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (15,704)	\$ 26,391
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	78,274	75,883
Provision for losses on accounts receivable	1,467	(2,806)
Debt forgiveness	(21,000)	(21,000)
In-Kind revenue	(79,488)	(20,818)
In-Kind expense	79,488	20,818
(Increase) Decrease in accounts receivable-tuition	(2,712)	(5,094)
(Increase) Decrease in accounts receivable-services	(1,290)	5,114
(Increase) Decrease in grants receivable	56,000	(56,000)
(Increase) Decrease in prepaid expenses	(7,231)	3,278
(Increase) Decrease in other receivable	(2,147)	(3,798)
(Increase) Decrease in other assets	(31,567)	18,912
Increase (Decrease) in accrued liabilities	(34,361)	24,994
Increase (Decrease) in accounts payable	(6,814)	(34,641)
Increase (Decrease) in short-term note	50,937	-
Increase (Decrease) in deferred revenue	(9,706)	(3,621)
Net cash provided by operating activities	54,146	27,612
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(18,939)	(20,600)
Net cash (used) by investing activities	(18,939)	(20,600)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(53,735)	(29,138)
Proceeds from new loans	-	10,600
Net borrowings (payments) on line of credit	(7,230)	(786)
Net cash (used) by financing activities	(60,965)	(19,324)
NET INCREASE (DECREASE) IN CASH	(25,759)	(12,312)
CASH AT BEGINNING OF YEAR	27,791	40,103
CASH AT END OF YEAR	\$ 2,032	\$ 27,791
Supplemental data:		
Interest paid	\$ 132,864	\$ 107,978

See accompanying notes to financial statements

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 1- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Escuela Tlatelolco is a not-for-profit, year-round educational institution in north Denver serving over 120 youth and their families. Its mission is to liberate the minds of students, through the knowledge of cultural expression, moral courage and honorable behavior; to empower critical thinking, with the challenge of their own history, self-worth, and commitment to social justice; and, to reinforce education as knowledge learned and shared. Escuela achieves its mission through an innovative educational approach that incorporates Pablo Friere's concept of "Empowerment Education" and a dual-language learning philosophy.

The Escuela is a critical community asset providing after-school and continuing education programs that provide educational opportunities and supportive services for youth and adults in the local community.

At Escuela Tlatelolco youth and families are encouraged to beat the odds through an innovative educational curriculum that encourages academic excellence, cultural pride and community leadership.

The financial statements are prepared in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry audit guide, Not-for-Profit Organizations. Accordingly, the financial statements are prepared on an accrual basis of accounting. The significant accounting policies followed are described below.

Contributions and Grants

All contributions and grants are available for unrestricted use unless specified by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Investments, Equipment and Services

Donated investments, equipment and services are recorded as contributions at their estimated fair values at the date of donation. Donations are reported as increases in unrestricted net assets unless the donor has restricted the donation to a specific purpose or time period.

Allowance for Doubtful Accounts

The Escuela provides an allowance for doubtful accounts equal to the estimated uncollectible portion of receivables. The estimate is based on historical collection experience and a review of the current status of the receivable accounts.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement SFAS No. 117, "Financial Statements for Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

The Escuela considers all highly liquid investments available for current use and those with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or if donated at the approximate fair market value at the date of donation. All expenditures or donations of property and equipment in excess of \$500 are capitalized. Depreciation is computed on a straight-line basis over the useful lives of the assets.

Amortization of Bond Issuance costs

Certain costs related to the bond issue have been capitalized and are being amortized using the straight-line method over the term of the bond issue.

Income Taxes

No provision for taxes on earnings has been made in the financial statements as the Organization has qualified as a nonprofit organization under Section 501 (C)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2- GRANTS RECEIVABLE

Grants receivable-restricted are summarized as follows:

	<u>2009</u>	<u>2008</u>
Due within one year	<u>\$ 10,000</u>	<u>\$ 66,000</u>

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	2009	2008
Land	\$ 100,000	\$ 100,000
Building and improvements	1,897,205	1,897,205
Furniture and fixtures	37,379	37,379
Equipment	205,345	186,405
Website	900	900
Books	63,917	63,917
Total	<u>2,304,746</u>	<u>2,285,806</u>
Less accumulated depreciation	(804,413)	(730,407)
Total property and equipment	<u>\$ 1,500,333</u>	<u>\$ 1,553,399</u>

NOTE 4- BONDS PAYABLE

The acquisition of the building and some of the building renovation was refinanced and additional funds were provided for the completion of the renovation project by the Colorado Educational and Cultural Facilities Authority (the "Authority") through the issuance of Private School Revenue Bonds, in the aggregate amount of \$1,280,000. Two series of bonds were issued. Series A for \$1,225,000, bears interest at 8.5% annually and matures on June 1, 2022. Series B for \$55,000, with interest at 10% annually, matured on June 1, 2004. The Bonds were issued pursuant to a Trust Indenture (the "Indenture") dated August 1, 2000, between the Authority and American National Bank, formerly known as the Bank of Cherry Creek, (the Trustee). The Escuela borrowed the proceeds of the bonds under a Mortgage and Loan Agreement (the "Loan Agreement") dated August 1, 2000. The building serves as collateral for the loan.

Pursuant to the Indenture and the Loan Agreement, the Escuela must make monthly payments to the Trustee, to provide for the annual principal and semi-annual interest payment requirements.

Debt service requirements as of August 31, 2009, are as follows:

<u>Year ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 40,000	\$ 89,250	\$ 129,250
2011	45,000	85,850	130,850
2012	50,000	82,025	132,025
2013	55,000	77,775	132,775
2014 and thereafter	<u>850,000</u>	<u>440,299</u>	<u>1,290,299</u>
Total	<u>\$1,040,000</u>	<u>\$ 775,199</u>	<u>\$1,815,199</u>

The Loan Agreement and the Indenture contain various restrictive covenants such as debt service coverage, limitations of liens and indebtedness, continued educational institution status, audit, financial reporting and insurance requirements. As of August 31, 2009, the Escuela was in compliance with all ratios except the Long-term debt service coverage ratio. The requirement is 1.1, Escuela's ratio was 1.03. The Escuela was in compliance with all covenants as of August 31, 2008.

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 5- ASSETS WHOSE USE IS LIMITED – TRUSTEE HELD FUNDS

Pursuant to the Loan Agreement (as described in Note 4), the Escuela is required to have \$60,000 on deposit in a Bond Reserve Fund with the Trustee to be used in the event moneys are insufficient to make debt service payments when due. As of August 31, 2009, the bond reserve fund had a balance of \$60,035. As of August 31, 2008, the Bond Reserve Fund had a balance of \$46,029. The shortfall was approved by the Trustee.

Trustee held funds are invested by the Trustee in various short-term investment vehicles and are reflected at their fair market value.

The Escuela's contract with Denver Public Schools requires that 3% of the annual funding be set aside in the TABOR Reserve held by the District. As of August 31, 2009, the required reserve amount is \$17,561 and is reflected in assets whose use is limited and accrued expenses in the statement of financial position.

NOTE 6- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following as of August 31:

	<u>2009</u>	<u>2008</u>
Time restrictions:		
General operating support	\$ 18,500	\$ 10,500
Child care programs	0	36,000
Health Center	0	15,000
Primary classrooms	20,000	15,000
Expelled and at-risk students	129,169	172,226
Total temporarily restricted net assets	<u>\$ 167,669</u>	<u>\$ 248,726</u>

NOTE 7- ACCRUED EXEPNSES

Accrued expenses consist of the following as of August 31:

	<u>2009</u>	<u>2008</u>
Accrued vacation	\$ 7,206	\$ 10,517
Accrued retirement contribution	0	1,685
Accrued expenses	3,433	0
Accrued reserve – Tabor	17,561	0
Current payroll liabilities	19,768	15,291
Non-current payroll tax, accrued interest and penalty	0	54,839
Total	<u>\$ 47,968</u>	<u>\$ 82,332</u>

NOTE 8- LINE OF CREDIT

The Escuela has a line of credit with American National Bank with a credit limit of \$25,000, an interest rate of 10.25%, and a maturity date of November 28, 2008. The line of credit was not renewed upon maturity. The outstanding balance as of August 31, 2009 and 2008, was \$2,988 and \$10,218, respectively.

In November of 2009, the Organization obtained a new line of credit with Seedco Financial. (See NOTE 17).

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 9- LONG-TERM DEBT

The Escuela had the following long-term debt at August 31,

	<u>2009</u>	<u>2008</u>
Note payable to the City and County of Denver, dated September 27, 1995, fourth amendment dated November 2, 2004, amended amount \$305,138, secured by 2 nd Deed of Trust, payments deferred (see below)	\$ 200,139	\$ 221,139
Total	<u>\$ 200,139</u>	<u>\$ 221,139</u>

In November 2004, the City and County of Denver amended its agreement with the Escuela in an effort to assist the Escuela in its mission to provide education and opportunities to low-income families. The payment terms of the Note were amended as follows: Repayment of the current outstanding balance of \$305,138 shall be deferred provided the Escuela remains in compliance with its obligations pursuant to the Loan Agreement. The Note's outstanding balance shall automatically be reduced by \$21,000 for each calendar year of compliance and shall be forgiven in full on January 1, 2020. The obligations include, without limitation, using the property to assist low and moderate income households and individuals, which assistance shall be documented to the satisfaction of the City's Division of Housing and Neighborhood Development.

NOTE 10- OBLIGATIONS UNDER CAPITAL LEASES

The Escuela leases security and telephone equipment under capital leases which expires in 2009 and 2011. The leases have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 12.5%. The cost of the equipment and accumulated depreciation, was \$17,454 and \$4,578, respectively, at August 31, 2009.

Future minimum lease payments under the capital leases are:

2010	\$ 1,850
2011	1,760
Total future payments	3,610
Less amount representing interest	421
Present value of future payments	3,189
Less current portion	1,538
Non-current portion	<u>\$ 1,650</u>

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 11-DONATIONS IN-KIND

The value of donated materials and services included in contributions and the corresponding expenditures for the years ended August 31, are as follows:

	2009	2008
Contributions:		
Donated services	\$ 79,488	\$ 89,553
Total contributions:	\$ 79,488	\$ 89,553
Expenditures:		
Contract labor	\$ 65,527	\$72,079
Repairs and maintenance	13,961	0
Advertising	0	15,563
Supplies	0	1,911
Total expenditures:	\$ 79,488	\$ 89,553

Donated services consist of tutoring and maintenance. The Escuela also receives donated services that do not meet the recognition requirements under SFAS No. 116. These include clerical and janitorial services with a fair market value of \$22,431 as of August 31, 2009 and \$30,063 as of August 31, 2008.

NOTE 12-SERVICES INCOME

The Escuela has a contract with Denver Public School District to provide educational services to at-risk students in grades 7 to 12 in a non-traditional educational environment. The current contract requires the Escuela to serve up to 100 full-time students in the 2009-2010 school year. The contract amount is equal to 88% of the applicable per pupil revenues paid to the District from the Colorado Department of Education. The contract amount for 2009-2010 school year is \$7,645 per student with an estimated 87 full-time students, or \$585,329.

The contract amount for the 2008-2009 school year was \$7,367 per student, or \$515,974.

NOTE 13-TUITION AND BOOKS

The Escuela charges tuition and an annual book fee for the Circulo Montessori and elementary program on a sliding scale based on the ability of the student's family to pay.

NOTE 14-NET INVESTMENT INCOME

The following schedule summarizes the investment income reported in the statement of activities:

	2009	2008
Interest and dividend income	\$ 695	\$ 1,828
Net investment income	\$ 695	\$ 1,828

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 15-COMMITMENTS AND CONTINGENCIES

Operating Lease

The Escuela leases office equipment under an operating lease which expires in 2012.

Future minimum lease payments under the operating lease are:

2010	\$ 9,504
2011	9,504
2012	9,504

Noncompliance with Donor-imposed Restrictions

As of August 31, 2009, the Organization's non-compliance with donor time restrictions resulted from the organization's failure to maintain an appropriate composition of assets in amounts needed to comply with all donor time restrictions. Total donor time restrictions were \$167,669, (see Note 6), while cash and receivables available to comply with those time restrictions were \$28,826, a deficit of \$(138,843). The circumstances causing the non-compliance are that the Organization is using net assets restricted for next year to fund current year operations.

As of August 31, 2008, the Organization's non-compliance with donor time restrictions resulted from the organization's failure to maintain an appropriate composition of assets in amounts needed to comply with all donor time restrictions. Total donor time restrictions were \$248,726, (see Note 6), while cash and receivables available to comply with those time restrictions were \$105,903, a deficit of \$(142,823). The circumstances causing the non-compliance are that the Organization is using net assets restricted for next year to fund current year operations.

Payroll Taxes

During a prior year, the Escuela was issued a Notice of Federal Tax Liens for nonpayment of federal payroll taxes. The lien related to the periods ended June 30 2005, September 30 2005, December 31 2005, March 31 2006, June 30 2006, September 30 2006 and December 31, 2006. As of August 31, 2008, the Escuela owed federal payroll taxes of \$25,328. Accrued interest and penalties related to the past due amounts were \$29,511 as of August 31, 2008.

On August 15, 2009, the Escuela paid all of the outstanding taxes, penalties and interest due and all liens were released.

Long-term Debt

The Fourth Amendment and Modification Agreement between the City and County of Denver and the Escuela, as described in NOTE 9, was recommended and approved by the Director of the Division of Housing and Neighborhood Development, was approved as to form by the City Attorney's office and was executed by the Mayor and the City Clerk. However, the City Auditor has refused to execute the contract. The City Attorney's office has stated that there has not been a legal objection to the Fourth Amendment interposed, such as insufficient budget, an omitted contract clause, or other legal rationale for rejection nor are they aware of any legal objection to, or legal deficiency in, the Fourth Amendment sufficient to justify the Auditor's refusal to execute the Amendment. Therefore, the Escuela has treated the agreement as signed as executed.

ESCUELA TLATELOLCO CENTRO DE ESTUDIOS
Notes to Financial Statements
August 31, 2009 and 2008

NOTE 16-RETIREMENT PLAN

The Organization implemented a Simple IRA plan in November of 2005. Employees can contribute up to the annual maximum contribution set by the IRS. The Organization matches employee contributions up to 3%. Contributions for the year ended August 31, 2009 and 2008, were \$0 and \$485, respectively.

NOTE 17-SUBSEQUENT EVENTS

In October of 2009, the Organization received confirmation from the City and County of Denver that the loan outstanding of \$200,129, would be forgiven in full as of January 2010.

In November of 2009, the Organization obtained a line of credit with Seedco Financial with a credit limit of \$90,000, interest at 8% and a maturity of October 2012.

NOTE 18-FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and Liabilities Measured on a Recurring Basis

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Cash and cash equivalents, receivables, accounts payable and accrued expenses, and short-term notes and liabilities: Level 1: the carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

The following table sets forth the Organization's assets at fair value as of August 31:

	<u>2009</u>	<u>2008</u>
Financial assets:		
Cash and cash equivalents	\$ 2,032	\$ 27,791
Receivables	26,794	78,112
Financial liabilities:		
Payables and accrued expenses	129,188	170,366
Short-term notes and liabilities	50,947	10,218