

LOS ANGELES LEADERSHIP ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022

CHARTER SCHOOLS:

**LOS ANGELES LEADERSHIP ACADEMY (#461)
LOS ANGELES LEADERSHIP PRIMARY ACADEMY (#1333)**

*DRAFT
For Discussion Purposes Only
Subject to Revision*

**LOS ANGELES LEADERSHIP ACADEMY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE	16
SCHEDULE OF INSTRUCTIONAL TIME	17
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)	18
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS	19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
NOTES TO SUPPLEMENTARY INFORMATION	21
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	24
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE	27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	32

INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Los Angeles Leadership Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Los Angeles Leadership Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy’s financial statements as a whole. The LA Leadership Academy, LA Leadership Primary Academy, CMO, and Eliminations columns in the statements of financial position, activities, and cash flows as well as the supplementary information (as identified in the table of contents) accompanying supplementary schedules, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated REPORT DATE on our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,949,387	\$ 1,523,845	\$ 115,936	\$ 3,589,168
Accounts Receivable - Federal and State	2,133,227	1,789,274	-	3,922,501
Prepaid Expenses and Other Assets	62,172	48,544	-	110,716
Total Current Assets	<u>4,144,786</u>	<u>3,361,663</u>	<u>115,936</u>	<u>7,622,385</u>
LONG-TERM ASSETS				
Property, Plant, and Equipment, Net	<u>3,765,764</u>	<u>2,287,243</u>	-	<u>6,053,007</u>
Total Long-Term Assets	<u>3,765,764</u>	<u>2,287,243</u>	-	<u>6,053,007</u>
Total Assets	<u>\$ 7,910,550</u>	<u>\$ 5,648,906</u>	<u>\$ 115,936</u>	<u>\$ 13,675,392</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 651,636	\$ 398,335	\$ 106,071	\$ 1,156,042
Deferred Revenue	255,010	120,553	-	375,563
Total Current Liabilities	<u>906,646</u>	<u>518,888</u>	<u>106,071</u>	<u>1,531,605</u>
LONG-TERM LIABILITIES				
Notes Payable	<u>1,049,000</u>	-	-	<u>1,049,000</u>
Total Long-Term Liabilities	<u>1,049,000</u>	-	-	<u>1,049,000</u>
Total Liabilities	1,955,646	518,888	106,071	2,580,605
NET ASSETS				
Without Donor Restriction	5,939,651	5,107,959	9,865	11,057,475
With Donor Restriction	15,253	22,059	-	37,312
Total Net Assets	<u>5,954,904</u>	<u>5,130,018</u>	<u>9,865</u>	<u>11,094,787</u>
Total Liabilities and Net Assets	<u>\$ 7,910,550</u>	<u>\$ 5,648,906</u>	<u>\$ 115,936</u>	<u>\$ 13,675,392</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION					
State Revenue:					
State Aid	\$ 3,667,906	\$ 2,752,320	\$ -	\$ -	\$ 6,420,226
Other State Revenue	1,528,640	1,362,767	-	-	2,891,407
Federal Revenue:					
Grants and Entitlements	3,073,522	2,403,419	-	-	5,476,941
Local Revenue:					
In-Lieu Property Tax Revenue	1,167,670	887,093	-	-	2,054,763
Private Grants and Contributions	43,473	6,827	-	-	50,300
Interest Income	-	-	11,787	-	11,787
Other Revenue	68,691	40,461	992,609	(992,523)	109,238
Total Revenues	<u>9,549,902</u>	<u>7,452,887</u>	<u>1,004,396</u>	<u>(992,523)</u>	<u>17,014,662</u>
Net Assets Released from Restriction	38,520	14,776	-	-	53,296
Total Revenue Without Donor Restriction and Net Assets Released from Restriction	<u>9,588,422</u>	<u>7,467,663</u>	<u>1,004,396</u>	<u>(992,523)</u>	<u>17,067,958</u>
EXPENSES					
Program Services	8,745,147	6,403,546	-	(297,757)	14,850,936
Management and General	1,710,998	954,383	1,004,396	(694,766)	2,975,011
Total Expenses	<u>10,456,145</u>	<u>7,357,929</u>	<u>1,004,396</u>	<u>(992,523)</u>	<u>17,825,947</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(867,723)	109,734	-	-	(757,989)
Net Assets Without Donor Restriction, Beginning of Year	6,807,374	4,998,225	9,865	-	11,815,464
NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	<u>\$ 5,939,651</u>	<u>\$ 5,107,959</u>	<u>\$ 9,865</u>	<u>\$ -</u>	<u>\$ 11,057,475</u>
NET ASSETS WITH DONOR RESTRICTION					
Other Revenue	\$ 12,133	\$ 6,660	\$ -	\$ -	\$ 18,793
Net Assets Released from Restriction	(38,520)	(14,776)	-	-	(53,296)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	(26,387)	(8,116)	-	-	(34,503)
Net Assets With Donor Restriction, Beginning of Year	41,640	30,175	-	-	71,815
NET ASSETS WITH DONOR RESTRICTION, END OF YEAR	<u>\$ 15,253</u>	<u>\$ 22,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,312</u>
TOTAL CHANGE IN NET ASSETS	\$ (894,110)	\$ 101,618	\$ -	\$ -	\$ (792,492)
Total Net Assets - Beginning of Year	6,849,014	5,028,400	9,865	-	11,887,279
TOTAL NET ASSETS - END OF YEAR	<u>\$ 5,954,904</u>	<u>\$ 5,130,018</u>	<u>\$ 9,865</u>	<u>\$ -</u>	<u>\$ 11,094,787</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 4,437,503	\$ 1,217,667	\$ 5,655,170
Pension Expense	554,476	166,947	721,423
Other Employee Benefits	709,243	201,215	910,458
Payroll Taxes	158,234	39,528	197,762
Management Fees	121	80,129	80,250
Legal Expenses	-	62,678	62,678
Accounting Expenses	-	26,488	26,488
Instructional Materials	3,739,123	60,037	3,799,160
Other Fees for Services	3,366,392	534,722	3,901,114
Advertising and Promotion Expenses	1,859	-	1,859
Office Expenses	160,589	143,734	304,323
Information Technology Expenses	127,044	-	127,044
Occupancy Expenses	934,055	233,513	1,167,568
Travel Expenses	12,265	3,452	15,717
Depreciation and Amortization Expense	201,333	67,110	268,443
Insurance Expense	-	132,636	132,636
Other Expenses	448,699	5,155	453,854
	<u>\$ 14,850,936</u>	<u>\$ 2,975,011</u>	<u>\$ 17,825,947</u>
Total			

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (894,110)	\$ 101,618	\$ -	\$ (792,492)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	163,629	104,814	-	268,443
Decrease (Increase) in Operating Assets:				
Accounts Receivable - Federal and State	(353,904)	(559,460)	-	(913,364)
Prepaid Expenses and Other Assets	67,442	56,439	-	123,881
Increase (Decrease) in Operating Liabilities:				
Accounts Payable and Accrued Liabilities	111,681	5,712	19,515	136,908
Deferred Revenue	(54,292)	(72,588)	-	(126,880)
Net Cash Provided (Used) by Operating Activities	<u>(959,554)</u>	<u>(363,465)</u>	<u>19,515</u>	<u>(1,303,504)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(959,554)	(363,465)	19,515	(1,303,504)
Cash and Cash Equivalents - Beginning of Year	<u>2,908,941</u>	<u>1,887,310</u>	<u>96,421</u>	<u>4,892,672</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,949,387</u>	<u>\$ 1,523,845</u>	<u>\$ 115,936</u>	<u>\$ 3,589,168</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Los Angeles Leadership Academy (the Academy) is a California nonprofit charter school organized for the purpose of providing sixth through twelfth grade education to students. In 2011, the Academy was expanded and now includes the Los Angeles Leadership Primary Academy charter which currently serves kindergarten through fifth grade. The Charter Management Organization (CMO) is the cost center for the Academy which holds the two charters. The Academy is economically dependent on state and federal funding.

The charters may be revoked by the Los Angeles Unified School District for material violations of the charters, failure to meet pupil outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

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

Functional Allocation of Expenses

Costs of providing the Academy's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Cash and Cash Equivalents

The Academy defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2022. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Contributed Assets and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the Academy based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for without donor restriction use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as with donor restrictions. Restricted contributions that are received and released in the same period are reported as without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022, the Academy has conditional grants of \$948,742 of which \$375,563 is recognized as deferred revenue in the statement of financial position.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Academy is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Academy. The entire compensated absences liability is reported on the statement of financial position. Employees of the Academy are paid for days or hours worked based upon board-approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Academy is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Academy files an exempt organization return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Subsequent Events

The Academy has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2022:

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
Cash and Cash Equivalents	\$ 1,949,387	\$ 1,523,845	\$ 115,936	\$ 3,589,168
Accounts Receivable - Federal and State	2,133,227	1,789,274	-	3,922,501
Less: Net Assets With Donor Restriction	(15,253)	(22,059)	-	(37,312)
Total	<u>\$ 4,067,361</u>	<u>\$ 3,291,060</u>	<u>\$ 115,936</u>	<u>\$ 7,474,357</u>

As part of the Academy's liquidity management plan, the Academy monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Academy structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Academy maintains cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2022 was \$268,443.

The components of property, plant, and equipment as of June 30, 2022 are as follows:

	LA Leadership Academy	LA Leadership Primary Academy	Total
Building	\$ 5,244,129	\$ 3,057,903	\$ 8,302,032
Equipment	333,142	96,235	429,377
Total	5,577,271	3,154,138	8,731,409
Less: Accumulated Depreciation	1,811,507	866,895	2,678,402
Property, Plan, and Equipment, Net	<u>\$ 3,765,764</u>	<u>\$ 2,287,243</u>	<u>\$ 6,053,007</u>

NOTE 5 EMPLOYEE RETIREMENT

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the Academy chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2021 total STRS plan net assets are \$310 billion, the total actuarial present value of accumulated plan benefits is \$414 billion, contributions from all employers totaled \$5.744 billion, and the plan is 73% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The Academy's contributions to STRS for the past three years are as follows:

Year Ended June 30,	Los Angeles Leadership Academy		LA Leadership Primary Academy		LA Leadership Charter Management Organization	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2020	\$ 400,756	100%	\$ 268,721	100%	\$ 84,234	100%
2021	\$ 360,488	100%	\$ 254,006	100%	\$ 63,993	100%
2022	\$ 393,430	100%	\$ 258,875	100%	\$ 69,118	100%

NOTE 6 OPERATING LEASES

2670 Griffin

In April 2009, the Academy entered into a Commitment Letter with NCB Capital Impact (NCB), pursuant to which NCB would finance a portion of the purchase price of a property located at 2670 Griffin, Los Angeles, California provided that it was purchased by a special purpose entity, 2670 Griffin and then leased back to the Academy.

In June 2009, 2670 Griffin purchased the aforementioned property and became the borrower under the NCB Loan Agreement. The Academy then entered into a 120-month operating lease agreement commencing June 5, 2009 with 2670 Griffin.

During the year ended June 30, 2019, the Academy exercised an option to extend the lease for ten additional years through June 2029. Rent expense associated with the 2670 Griffin lease for the year ended June 30, 2022 was \$732,411.

As part of the lease, the Academy guaranteed 2670 Griffin's obligations under the NCB Loan Agreement and advanced \$266,793 to pay for the closing costs of escrow. As of June 30, 2019, the advance has been fully amortized over the term of the lease.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 OPERATING LEASES (CONTINUED)

2670 Griffin (Continued)

The future minimum payments due to 2670 Griffin under these operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 732,411
2024	732,411
2025	732,411
2026	732,411
2027	732,411
Future Payments Thereafter	<u>2,392,668</u>
Total	<u>\$ 6,054,723</u>

Florence Crittenton Center (FCC)

In January 2008, the California School Finance Authority (CSFA) granted the Academy \$1,047,000 in order to purchase property from the Florence Crittenton Center (FCC). The purchase price was \$2,096,000, the sum of the CSFA grant and the existing mortgage held by the Community Redevelopment Agency (CRA). As part of the purchase, the Academy assumed the CRA mortgage for \$1,049,000.

In June 2009, the Academy transferred title to this property back to FCC. In exchange, the Academy received an unsecured purchase money note in the amount of \$3,000,000. The note has a term of 10 years and bears an annual interest rate of 5%, with principal and interest payable at maturity. As part of the transfer, FCC assumed the CRA mortgage for \$1,049,000. Due to the continuing involvement in this sale-leaseback, the sale was recorded using the deposit method. Under the deposit method of accounting for the sale-leaseback, the Academy continues to report in its financial statements as the net property and note payable from the CRA mortgage loan until the CRA loan is paid and the full amount of the purchase money note has been received.

The Academy entered into a 120-month operating lease agreement commencing June 5, 2009 with FCC. In September 2012, the agreement was amended increasing the required monthly payments to \$264,000 per year. During the year ended June 30, 2019, the Academy exercised an option to extend the lease for ten additional years through June 2029.

Future minimum payments due to FCC under this operating lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 268,488
2024	268,488
2025	268,488
2026	268,488
2027	268,488
Future Payments Thereafter	<u>536,976</u>
Total	<u>\$ 1,879,416</u>

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, office expenses, occupancy, depreciation, and other expenses, which are allocated on the basis of estimates of time and effort.

NOTE 8 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction activity for the year ended June 30, 2022 is as follows:

	June 30, 2021	Additions	Releases	June 30, 2022
Purpose Restrictions:				
Scholarships	\$ 17,461	\$ -	\$ (17,461)	\$ -
HS Student Council	9,670	8,923	(15,105)	3,488
MS Student Council	2,744	3,210	(5,954)	-
Community Outreach	4,530	-	-	4,530
ES Parent Teacher Council	26,356	6,660	(14,776)	18,240
HS Innovation Grant	9,500	-	-	9,500
ES/MS Bike Club	1,554	-	-	1,554
Total Purpose Restrictions	<u>\$ 71,815</u>	<u>\$ 18,793</u>	<u>\$ (53,296)</u>	<u>\$ 37,312</u>

NOTE 9 CONTINGENCIES, RISKS AND UNCERTAINTIES

The Academy has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

SUPPLEMENTARY INFORMATION

DRAFT
For Discussion Purposes Only
Subject to Revision

**LOS ANGELES LEADERSHIP ACADEMY
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 YEAR ENDED JUNE 30, 2022
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

Los Angeles Leadership Academy (the Academy) was established in 2002, when it was granted its charter through the Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. In 2011 the Academy was expanded and now includes the Los Angeles Primary Academy charter which currently serves kindergarten through fifth grade.

The Los Angeles Leadership Academy charter school number authorized by the State: 461

The Los Angeles Leadership Primary Academy charter school number authorized by the State: 1333

The Board of Directors and the Officers as of the year ended June 30, 2022 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3-Year Term)</u>
David Nickoll	Chair	2025
Justin Brimmer	Member	2023
Mona Field	Member	2023
Elizabeth Perez-LoPresti	Member	2023
Diane Prins Sheldahl	Member	2023
Christian Sarabia	Member	2023
Austin Lee	Member	2025
Richard Rosen	Member	2025
Jorge Mutis	Member	2022

ADMINISTRATORS

Arina Goldring-Ravin	Chief Executive Officer/Superintendent
Marina Pilayavskaya	Director of Finance
Tina Butler	Chief Operations Officer

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2022**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
LA Leadership Academy:				
Grade 6	54,000	68,714	188	In Compliance
Grade 7	54,000	68,118	188	In Compliance
Grade 8	54,000	68,118	188	In Compliance
Grade 9	64,800	66,300	188	In Compliance
Grade 10	64,800	66,300	188	In Compliance
Grade 11	64,800	66,300	188	In Compliance
Grade 12	64,800	66,300	188	In Compliance
LA Leadership Primary Academy:				
Kindergarten	36,000	51,595	188	In Compliance
Grade 1	50,400	58,175	188	In Compliance
Grade 2	50,400	58,175	188	In Compliance
Grade 3	50,400	58,175	188	In Compliance
Grade 4	54,000	58,175	188	In Compliance
Grade 5	54,000	58,175	188	In Compliance

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2022**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
LA Leadership Academy:				
Grades 4-6	65.82	66.17	64.98	65.34
Grades 7-8	127.54	128.27	126.52	127.08
Grades 9-12	176.63	176.89	177.40	177.72
ADA Totals	<u>369.99</u>	<u>371.33</u>	<u>368.90</u>	<u>370.14</u>
LA Leadership Primary Academy:				
Grades TK/K-3	186.91	187.23	186.83	187.77
Grades 4-6	97.12	97.13	96.42	96.50
ADA Totals	<u>284.03</u>	<u>284.36</u>	<u>283.25</u>	<u>284.27</u>

DRAFT
 For Discussion Purposes Only
 Subject to Revision

**LOS ANGELES LEADERSHIP ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

	<u>LA Leadership Academy</u>	<u>LA Leadership Primary Academy</u>
June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 5,796,584	\$ 4,923,009
Adjustments and Reclassifications		
Increase (Decrease) of Fund Balance (Net Assets):		
Cash and Cash Equivalents	(1,775)	-
Accounts Receivable - Federal and State	91,572	(108,600)
Accounts Payable and Accrued Liabilities	1,776	-
Deferred Revenue	66,747	315,609
Net Adjustments and Reclassifications	<u>158,320</u>	<u>207,009</u>
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 5,954,904</u>	<u>\$ 5,130,018</u>

DRAFT
 For Discussion Purposes Only
 Subject to Revision

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Los Angeles Leadership Academy	Los Angeles Leadership Primary Academy	Total Federal Expenditures
U.S. Department of Education					
Pass-Through Program from California Department of Education:					
Every Student Succeeds Act					
Title I, Part A, Basic Grants:					
Local Educational Agencies	84.010	14329	\$ 172,103	\$ 141,911	\$ 314,014
Title II, Part A, Improving Teacher Quality	84.367	14341	17,760	26,360	44,120
Title III, English Learners Acquisition Guide	84.365	N/A	14,011	23,394	37,405
Title IV, Part A Student Support and Academic Enrichment Grants	84.424	15391	13,628	10,000	23,628
Special Education Cluster:					
Special Education - IDEA Basic Local Assistance	84.027	13379	110,562	83,995	194,557
Total Special Education Cluster			110,562	83,995	194,557
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):					
Governor's Emergency Education Relief Fund (GEER)	84.425C	15517	23,524	5,746	29,270
Elementary and Secondary School Emergency Relief Fund	84.425D	15536	94,520	17,187	111,707
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	12,478	8,007	20,485
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	360,521	339,805	700,326
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	54,376	34,895	89,271
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	1,029,565	737,132	1,766,697
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	182,983	193,929	376,912
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	35,421	22,731	58,152
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	61,060	39,185	100,245
Total CARES Act:			1,854,448	1,398,617	3,253,065
Total U.S. Department of Education			2,182,512	1,684,277	3,866,789
U.S. Department of Agriculture					
Farm to School Grant Program	10.575	N/A	37,148	-	37,148
Pass-Through Program from California Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	N/A	165,042	299,868	464,910
National School Lunch Program	10.555	N/A	341,246	148,345	489,591
Meal Supplements	10.555	N/A	15,694	10,031	25,725
Total Child Nutrition Cluster			521,982	458,244	980,226
Total U.S. Department of Agriculture			559,130	458,244	1,017,374
Department of Health and Human Services					
Pass-Through Program From Los Angeles County Office of Education:					
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	67,241	52,077	119,318
Total Department of Health and Human Services			67,241	52,077	119,318
Department of Homeland Security					
Pass-Through Program From Los Angeles County Office of Education:					
Federal Emergency Management Agency - Emergency Protective Measures - COVID-19	97.036	N/A	264,640	208,820	473,460
Total Department of Homeland Security			264,640	208,820	473,460
Total Federal Expenditures			\$ 3,073,523	\$ 2,403,418	\$ 5,476,941

N/A - Pass-through entity number not readily available or not applicable.

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the Academy. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

NOTE 4 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Academy under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Academy, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Academy.

NOTE 5 INDIRECT COST RATE

The Academy has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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***

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

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 Los Angeles Leadership Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing 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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy’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 financial statements. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

DRAFT
For Discussion Purposes Only
Subject to Revision

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Los Angeles Leadership Academy's (the Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2022. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

DRAFT
For Discussion Purposes Only
Subject to Revision

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Opinion on State Compliance

We have audited Los Angeles Leadership Academy's (the Academy) compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2022. The Academy's State compliance requirements are identified in the table below.

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to below occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit

Appeals Panel will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to below and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Academy's compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes

<u>Description</u>	<u>Procedures Performed</u>
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

DRAFT
For Discussion Purposes Only
Subject to Revisions

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported

3. Noncompliance material to financial statements noted? yes no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.425C
84.425D
84.425U
10.CNC

Name of Federal Program or Cluster

Governor’s Emergency Education Relief (GEER)
Elementary and Secondary School Emergency Relief (ESSER & ESSER II) Fund
Elementary and Secondary School Emergency Relief III (ESSER III) Fund
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Findings

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**LOS ANGELES LEADERSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for the prior year.

*DRAFT
For Discussion Purposes Only
Subject to Revision*