

LOS ANGELES LEADERSHIP ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

CHARTER SCHOOLS:

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

- Tentative Report
For Discussion Purposes Only
Subject to Revision

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Report on the Financial Statements

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, 2020, and the related statements of activities, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Academy as of June 30, 2020, 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy's financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 listed in the table of contents) accompanying the financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 24, 2020 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 Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
November 24, 2020

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 3,193,188	\$ 2,026,736	\$ 71,587	\$ 5,291,511
Accounts Receivable - Federal and State	767,379	517,160	-	1,284,539
Prepaid Expenses and Other Assets	84,422	63,941	5,329	153,692
Total Current Assets	<u>4,044,989</u>	<u>2,607,837</u>	<u>76,916</u>	<u>6,729,742</u>
LONG-TERM ASSETS				
Property, Plant, and Equipment, Net	4,007,518	2,442,058	-	6,449,576
Total Long-Term Assets	<u>4,007,518</u>	<u>2,442,058</u>	<u>-</u>	<u>6,449,576</u>
Total Assets	<u>\$ 8,052,507</u>	<u>\$ 5,049,895</u>	<u>\$ 76,916</u>	<u>\$ 13,179,318</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 561,767	\$ 347,499	\$ 56,921	\$ 966,187
Deferred Revenue	49,689	22,374	-	72,063
Total Current Liabilities	<u>611,456</u>	<u>369,873</u>	<u>56,921</u>	<u>1,038,250</u>
LONG-TERM LIABILITIES				
Notes Payable	1,937,000	591,000	-	2,528,000
Total Long-Term Liabilities	<u>1,937,000</u>	<u>591,000</u>	<u>-</u>	<u>2,528,000</u>
Total Liabilities	2,548,456	960,873	56,921	3,566,250
NET ASSETS				
Without Donor Restriction	5,397,854	4,055,290	19,995	9,473,139
With Donor Restriction	106,197	33,732	-	139,929
Total Net Assets	<u>5,504,051</u>	<u>4,089,022</u>	<u>19,995</u>	<u>9,613,068</u>
Total Liabilities and Net Assets	<u>\$ 8,052,507</u>	<u>\$ 5,049,895</u>	<u>\$ 76,916</u>	<u>\$ 13,179,318</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION					
State Revenue:					
State Aid	\$ 3,884,338	\$ 2,495,054	\$ -	\$ -	\$ 6,379,392
Other State Revenue	874,550	651,338	-	-	1,525,888
Federal Revenue:					
Grants and Entitlements	552,593	585,098	-	-	1,137,691
Local Revenue:					
In-Lieu Property Tax Revenue	1,372,662	925,983	-	-	2,298,645
Private Grants and Contributions	14,432	-	148,000	-	162,432
Investment Income	-	-	18,002	-	18,002
Other Revenue	76	7,217	1,024,027	(1,024,027)	7,293
Total Revenues	<u>6,698,651</u>	<u>4,664,690</u>	<u>1,190,029</u>	<u>(1,024,027)</u>	<u>11,529,343</u>
Net Assets Released from Restriction	<u>37,898</u>	<u>28,707</u>	<u>-</u>	<u>-</u>	<u>66,605</u>
Total Revenue Without Donor Restriction and Net Assets Released from Restriction	<u>6,736,549</u>	<u>4,693,397</u>	<u>1,190,029</u>	<u>(1,024,027)</u>	<u>11,595,948</u>
EXPENSES					
Program Services	5,992,347	4,197,039	122	-	10,189,508
Management and General	903,239	577,947	1,189,907	(1,024,027)	1,647,066
Total Expenses	<u>6,895,586</u>	<u>4,774,986</u>	<u>1,190,029</u>	<u>(1,024,027)</u>	<u>11,836,574</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(159,037)	(81,589)	-	-	(240,626)
Net Assets Without Donor Restriction, Beginning of Year	<u>5,556,891</u>	<u>4,136,879</u>	<u>19,995</u>	<u>-</u>	<u>9,713,765</u>
NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	<u>\$ 5,397,854</u>	<u>\$ 4,055,290</u>	<u>\$ 19,995</u>	<u>\$ -</u>	<u>\$ 9,473,139</u>
NET ASSETS WITH DONOR RESTRICTION					
Other Revenue	\$ -	\$ 713	\$ -	\$ -	\$ 713
Private Grants and Contributions	10,667	11,872	-	-	22,539
Net Assets Released from Restriction	<u>(37,898)</u>	<u>(28,707)</u>	<u>-</u>	<u>-</u>	<u>(66,605)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	(27,231)	(16,122)	-	-	(43,353)
Net Assets With Donor Restriction, Beginning of Year	<u>133,428</u>	<u>49,854</u>	<u>-</u>	<u>-</u>	<u>183,282</u>
NET ASSETS WITH DONOR RESTRICTION, END OF YEAR	<u>\$ 106,197</u>	<u>\$ 33,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,929</u>
TOTAL CHANGE IN NET ASSETS	\$ (186,268)	\$ (97,711)	\$ -	\$ -	\$ (283,979)
Total Net Assets - Beginning of Year	<u>5,690,319</u>	<u>4,186,733</u>	<u>19,995</u>	<u>-</u>	<u>9,897,047</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 5,504,051</u>	<u>\$ 4,089,022</u>	<u>\$ 19,995</u>	<u>\$ -</u>	<u>\$ 9,613,068</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (186,268)	\$ (97,711)	\$ -	\$ (283,979)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	139,731	80,555	-	220,286
Decrease (Increase) in Operating Assets:				
Accounts Receivable - Federal and State	110,755	321,142	-	431,897
Prepaid Expenses and Other Assets	(25,822)	30,507	(3,301)	1,384
Increase (Decrease) in Operating Liabilities:				
Accounts Payable and Accrued Liabilities	87,110	87,850	(12,368)	162,592
Deferred Revenue	49,689	22,374	-	72,063
Net Cash Provided (Used) by Operating Activities	<u>175,195</u>	<u>444,717</u>	<u>(15,669)</u>	<u>604,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant, and Equipment	(162,296)	(5,000)	-	(167,296)
Net Cash Used by Investing Activities	<u>(162,296)</u>	<u>(5,000)</u>	<u>-</u>	<u>(167,296)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Debt	888,000	591,000	-	1,479,000
Net Cash Provided by Investing Activities	<u>888,000</u>	<u>591,000</u>	<u>-</u>	<u>1,479,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	900,899	1,030,717	(15,669)	1,915,947
Cash and Cash Equivalents - Beginning of Year	<u>2,292,289</u>	<u>996,019</u>	<u>87,256</u>	<u>3,375,564</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,193,188</u>	<u>\$ 2,026,736</u>	<u>\$ 71,587</u>	<u>\$ 5,291,511</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 4,960,957	\$ 671,640	\$ 5,632,597
Pension Expense	669,477	84,234	753,711
Other Employee Benefits	808,760	92,259	901,019
Payroll Taxes	173,618	24,716	198,334
Management Fees	-	86,028	86,028
Legal Expenses	-	81,570	81,570
Accounting Expenses	-	25,529	25,529
Instructional Materials	1,624,482	-	1,624,482
Other Fees for Services	459,350	175,969	635,319
Advertising and Promotion Expenses	-	696	696
Office Expenses	254,804	815	255,619
Information Technology Expenses	92,930	-	92,930
Occupancy Expenses	1,019,264	-	1,019,264
Travel Expenses	10,488	5,592	16,080
Depreciation and Amortization Expense	176,229	44,057	220,286
Insurance Expense	-	114,283	114,283
Other Expenses	115,378	63,449	178,827
	<u>\$ 10,365,737</u>	<u>\$ 1,470,837</u>	<u>\$ 11,836,574</u>
Total			

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020**

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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2020. 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.

LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Academy files an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606). The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Academy has early adopted the implementation of ASU 2014-09 under the full retrospective approach. There was no material impact on the Academy's financial position and results of operations upon adoption of the new standard.

LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Academy has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on the Academy's financial position and results of operations upon adoption of the new standard.

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, 2020, the Academy has received conditional grants of \$72,063 that are recognized as deferred revenue in the statement of financial position because conditions have not yet been met.

Subsequent Events

The Academy has evaluated subsequent events through November 24, 2020, the date these financial statements were available to be issued.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020:

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
Cash and Cash Equivalents	\$ 3,193,188	\$ 2,026,736	\$ 71,587	\$ 5,291,511
Accounts Receivable - Federal and State	767,379	517,160	-	1,284,539
Less: Net Assets With Donor Restriction	(106,197)	(33,732)	-	(139,929)
Total	<u>\$ 3,854,370</u>	<u>\$ 2,510,164</u>	<u>\$ 71,587</u>	<u>\$ 6,436,121</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short term investments, CDs, and money market funds.

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.

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, 2020 was \$220,286.

The components of property, plant, and equipment as of June 30, 2020 are as follows:

	LA Leadership Academy	LA Leadership Primary Academy	Total
Building	\$ 5,244,129	\$ 3,045,903	\$ 8,290,032
Equipment	257,790	59,355	317,145
Total	<u>5,501,919</u>	<u>3,105,258</u>	<u>8,607,177</u>
Less: Accumulated Depreciation	1,494,401	663,200	2,157,601
Property, Plan, and Equipment, Net	<u>\$ 4,007,518</u>	<u>\$ 2,442,058</u>	<u>\$ 6,449,576</u>

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 EMPLOYEE RETIREMENT

Qualified employees are covered under multi-employer 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 multi-employer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multi-employer 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 multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multi-employer 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, 2019 total STRS plan net assets are \$273 billion, the total actuarial present value of accumulated plan benefits is \$392 billion, contributions from all employers totaled \$5.6 billion, and the plan is 66% 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.

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 9.205% 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 SIRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020-21. The required employer contribution rate for year ended June 30, 2020 was 17.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)

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
2018	\$ 350,237	100%	\$ 243,429	100%	\$ 36,626	100%
2019	\$ 397,051	100%	\$ 265,289	100%	\$ 72,874	100%
2020	\$ 400,756	100%	\$ 268,721	100%	\$ 84,234	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 School 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, 2020 was \$693,907.

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.

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>
2021	\$ 693,907
2022	693,907
2023	693,907
2024	693,907
2025	693,907
Future Payments Thereafter	3,618,230
Total	<u>\$ 7,087,765</u>

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 OPERATING LEASES (CONTINUED)

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 School 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>
2021	\$ 272,606
2022	272,606
2023	272,606
2024	272,606
2025	272,606
Future Payments Thereafter	1,090,424
Total	<u><u>\$ 2,453,454</u></u>

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. For the year ended June 30, 2020 all costs were directly applied to each function presented and not allocated.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction activity for the year ended June 30, 2020 is as follows:

	June 30, 2019	Additions	Releases	June 30, 2020
Purpose Restrictions:				
Scholarships	\$ 37,789	\$ -	\$ (7,665)	\$ 30,124
HS Student Council	26,614	5,755	(10,762)	21,607
MS Student Council	8,045	4,912	(3,658)	9,299
HS/MS MTSS Grant	3,282		(3,282)	-
ES MTSS Grant	2,290		(2,290)	-
Teacher Projects	5,599	-	-	5,599
Community Outreach	4,529	-	-	4,529
ES Parent Teacher Council	30,464	12,162	(15,996)	26,630
MS Music Tutoring	12,841	-	-	12,841
MS/HS Low Performing Block Grant	29,793	-	(12,030)	17,763
ES Low Performing Block Grant	10,823	-	(10,340)	483
HS Innovation Grant	10,000	-	(500)	9,500
ES/MS Bike Club	1,213	423	(82)	1,554
Total Purpose Restrictions	<u>\$ 183,282</u>	<u>\$ 23,252</u>	<u>\$ (66,605)</u>	<u>\$ 139,929</u>

NOTE 9 NOTES PAYABLE

On May 1, 2020 the Academy received a loan from Pacific Western Bank in the amount of \$1,479,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in August 2021 principal and interest payments will be required through the maturity date in May 2022.

NOTE 10 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.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 CONTINGENCIES, RISKS AND UNCERTAINTIES (CONTINUED)

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Academy, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Academy is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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SUPPLEMENTARY INFORMATION

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**LOS ANGELES LEADERSHIP ACADEMY
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2020**

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, 2020 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3-Year Term)</u>
David Nickoll	Chair	2022
Eric Barron	Member	2020
Justin Brimmer	Member	2020
Mona Field	Member	2020
Martin Frank	Member	2022
Elizabeth Perez-LoPresti	Member	2020
Diane Prins Sheldahl	Member	2020
Christian Sarabia	Member	2020
Austin Lee	Member	2021
Richard Rosen	Member	2022
Allan Rudnick	Member	2022

ADMINISTRATORS

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

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2020**

	Instructional Minutes		Credited Minutes	Total Actual Plus Credited Minutes	Traditional Calendar Days	Credited Days	Total Actual Plus Credited Days	Status
	Requirement	Actual	COVID-19 School Closure Certification			COVID-19 School Closure Certification		
LA Leadership Academy:								
Grade 6	54,000	42,308	22,174	64,482	121	63	184	In Compliance
Grade 7	54,000	42,962	22,524	65,486	121	63	184	In Compliance
Grade 8	54,000	42,962	22,524	65,486	121	63	184	In Compliance
Grade 9	64,800	44,445	22,870	67,315	121	63	184	In Compliance
Grade 10	64,800	44,445	22,870	67,315	121	63	184	In Compliance
Grade 11	64,800	44,445	22,870	67,315	121	63	184	In Compliance
Grade 12	64,800	44,445	22,870	67,315	121	63	184	In Compliance
LA Leadership Primary Academy:								
Kindergarten	36,000	37,855	19,815	57,670	121	63	184	In Compliance
Grade 1	50,400	37,210	19,500	56,710	121	63	184	In Compliance
Grade 2	50,400	37,210	19,500	56,710	121	63	184	In Compliance
Grade 3	50,400	37,210	19,500	56,710	121	63	184	In Compliance
Grade 4	54,000	37,250	19,500	56,750	121	63	184	In Compliance
Grade 5	54,000	37,250	19,500	56,750	121	63	184	In Compliance

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

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2020**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
LA Leadership Academy:				
Grades 4-6	71.55	71.64	71.55	71.64
Grades 7-8	161.27	161.49	161.27	161.49
Grades 9-12	221.37	221.37	221.37	221.37
ADA Totals	<u>454.19</u>	<u>454.50</u>	<u>454.19</u>	<u>454.50</u>
LA Leadership Primary Academy:				
Grades TK/K-3	201.02	201.85	201.02	201.85
Grades 4-6	103.87	104.35	103.87	104.35
ADA Totals	<u>304.89</u>	<u>306.20</u>	<u>304.89</u>	<u>306.20</u>

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**LOS ANGELES LEADERSHIP ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

	LA Leadership Academy	LA Leadership Primary Academy
June 30, 2020 Annual Financial Report Fund Balances (Net Assets)	\$ 5,504,051	\$ 4,089,022
Adjustments and Reclassifications:		
Increase (Decrease) of Fund Balance (Net Assets):		
Accounts Receivable - Federal and State	206,996	121,214
Accounts Payable and Accrued Liabilities	(84,996)	(121,214)
Notes Payable	(122,000)	-
Net Adjustments and Reclassifications	-	-
June 30, 2020 Audited Financial Statement Fund Balances (Net Assets)	\$ 5,504,051	\$ 4,089,022

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

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA 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	\$ 178,537	\$ 131,407	\$ 309,944
Title II, Part A, Improving Teacher Quality	84.367	14341	23,520	3,757	27,277
Title III, English Learners Acquisition Guide	84.365	N/A	12,957	20,708	33,665
Title IV, Part A Student Support and Academic Enrichment Grants	84.424	15391	13,318	188,619	201,937
Special Education Cluster:					
Special Education - IDEA Basic Local Assistance	84.027	13379	93,366	62,900	156,266
<i>Total U.S. Department of Education</i>			321,698	407,391	729,089
U.S. Department of Agriculture					
Pass-Through Program From					
California Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	N/A	78,803	65,727	144,530
National School Lunch Program	10.555	N/A	141,801	102,449	244,250
Meal Supplements	10.555	N/A	10,291	9,531	19,822
Total Child Nutrition Cluster			230,895	177,707	408,602
<i>Total U.S. Department of Agriculture</i>			230,895	177,707	408,602
Total Federal Expenditures			\$ 552,593	\$ 585,098	\$ 1,137,691

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, 2020**

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 governmental for the year ended June 30, 2020. The information in this Schedule is presented on the accrual basis of accounting 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, 2020, 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 November 24, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
November 24, 2020

- Tentative Report
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

We have audited the compliance of Los Angeles Leadership Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The Academy's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's 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 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, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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
November 24, 2020



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

We have audited Los Angeles Leadership Academy's (the Academy) compliance with the types of compliance requirements described in the *2019-2020 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, 2020. The Academy's state compliance requirements are identified in the table below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Academy's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the Academy's compliance.

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	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No ¹
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

¹ Nonclassroom ADA was under the threshold that required testing.

Opinion on State Compliance

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, 2020.

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 *2019-2020 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
 November 24, 2020

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A Basic Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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).

State Findings

Our audit did not disclose any matters required to be reported in accordance with the *2019-2020 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, 2020**

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

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