



Consolidated Financial Statements
June 30, 2020

Larchmont Schools and Subsidiaries
(Charter No. 0717)

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Independent Auditor's Report

Governing Board
Larchmont Schools
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Larchmont Schools and Subsidiaries (the Organization), which are comprised of the consolidated statement of financial position as of June 30, 2020, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information such as the 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* (Uniform Guidance) and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The consolidating statement of financial position, consolidating statement of activities and the schedule of expenditures of federal awards are the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidating statement of financial position, consolidating statement of activities, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 9, 2020

Larchmont Schools and Subsidiaries
Consolidated Statement of Financial Position
June 30, 2020

Assets		
Current assets		
Cash and cash equivalents	\$	4,586,762
Short-term investments		2,134,301
Accounts receivable		2,686,278
Prepaid expenses		<u>156,379</u>
Total current assets		<u>9,563,720</u>
Non-current assets		
Security deposit		29,750
Restricted cash		708,632
Property and equipment, net		<u>9,307,951</u>
Total non-current assets		<u>10,046,333</u>
Total assets		<u><u>\$ 19,610,053</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$	1,371,458
Deferred revenue and rent		239,940
Refundable advance - Paycheck Protection Program (PPP)		2,723,449
Current portion of bonds payable		<u>130,000</u>
Total current liabilities		<u>4,464,847</u>
Long-term liabilities		
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium		<u>11,373,892</u>
Total liabilities		<u>15,838,739</u>
Net Assets		
Without donor restrictions		3,657,460
With donor restrictions		<u>113,854</u>
Total net assets		<u>3,771,314</u>
Total liabilities and net assets		<u><u>\$ 19,610,053</u></u>

Larchmont Schools and Subsidiaries
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Local Control Funding Formula	\$ 13,916,678	\$ -	\$ 13,916,678
Federal revenue	825,901	-	825,901
Other state revenue	2,545,393	-	2,545,393
Local revenues	3,318,731	235,568	3,554,299
Net assets released from restrictions	178,464	(178,464)	-
	<u>20,785,167</u>	<u>57,104</u>	<u>20,842,271</u>
Total support and revenues			
Expenses			
Program services	16,765,751	-	16,765,751
Management and general	3,953,629	-	3,953,629
	<u>20,719,380</u>	<u>-</u>	<u>20,719,380</u>
Total expenses			
Change in Net Assets	<u>65,787</u>	<u>57,104</u>	<u>122,891</u>
Net Assets, Beginning of Year	<u>3,591,673</u>	<u>56,750</u>	<u>3,648,423</u>
Net Assets, End of Year	<u>\$ 3,657,460</u>	<u>\$ 113,854</u>	<u>\$ 3,771,314</u>

Larchmont Schools and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Management and General	Total Expenses
Salaries	\$ 9,682,737	\$ 1,445,857	\$ 11,128,594
Employee benefits	2,245,440	181,359	2,426,799
Payroll taxes	1,675,242	97,981	1,773,223
Fees for services	593,011	369,636	962,647
Advertising and promotions	-	36,029	36,029
Office expenses	-	34,060	34,060
Information technology	-	48,310	48,310
Occupancy	1,391,102	207,724	1,598,826
Travel	32,092	-	32,092
Interest	-	578,940	578,940
Depreciation	73,493	200,057	273,550
Insurance	-	150,144	150,144
Other expenses	170,697	464,355	635,052
Capital outlay	186,241	-	186,241
Special education	244,029	-	244,029
Instructional materials	195,156	-	195,156
Nutrition	276,511	-	276,511
District oversight fees	-	139,177	139,177
	<u>\$ 16,765,751</u>	<u>\$ 3,953,629</u>	<u>\$ 20,719,380</u>
Total functional expenses			

Larchmont Schools and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 122,891
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation expense	273,550
Interest expense attributable to the amortization of bond issuance costs and premium	(2,260)
Changes in operating assets and liabilities	
Accounts receivable	(337,644)
Prepaid expenses	64,472
Security deposits	(29,750)
Accounts payable	(39,973)
Deferred rent and revenue	(38,833)
Refundable advance - PPP	2,723,449
	<u>2,735,902</u>
Net Cash from Operating Activities	<u>2,735,902</u>
Cash Flows used for Investing Activities	
Purchases of property and equipment	(118,901)
Net change related to investment activity	14,756
	<u>(104,145)</u>
Net Cash used for Investing Activities	<u>(104,145)</u>
Cash Flows used for Financing Activities	
Principal payments on bonds	(120,000)
	<u>(120,000)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	2,511,757
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>2,783,637</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 5,295,394</u>
Cash and cash equivalents	\$ 4,586,762
Cash restricted to debt reserves	<u>708,632</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 5,295,394</u>
Supplemental Cash Flow Disclosure	
Cash paid during the period in interest	<u>\$ 578,940</u>

Note 1 - Principal Activity and Significant Accounting Policies

Larchmont Schools

Larchmont Schools (formerly known as Larchmont Charter School) was formed during 2004 as a nonprofit public benefit corporation and the purpose of this corporation is to develop, manage, operate, guide, direct, and promote charter schools. Larchmont Charter School officially became Larchmont Schools on September 18, 2012.

Larchmont Charter School petitioned through Los Angeles Unified School District (LAUSD) for a charter and was approved by the State of California Department of Education on September 25, 2005, and renewed on February 16, 2010, and again on October 15, 2019, for a period of five years ending in 2025.

Larchmont Charter School opened in September 2005, and serves approximately 1,543 students in kindergarten through grade twelve at four campuses in Southern California:

Fairfax Campus: 1265 North Fairfax Avenue, West Hollywood, California

Hollygrove Campus: 815 North El Centro Avenue, Los Angeles, California

Selma Campus: 6611 Selma Avenue, Los Angeles, California

La Fayette Park Campus: 2801 West 6th Street, Los Angeles, California

Larchmont Network Office: 444 North Larchmont Boulevard #207, Los Angeles, California

Charter school number authorized by the State: 0717

Larchmont Schools strive to have the essential combination of a research-based, innovative curriculum, parent involvement in school governance and academic excellence. It emphasizes constructivism in student learning. The mission of Larchmont Schools is to provide a socio-economically, culturally, and racially diverse community of students with an exceptional public education. We foster creativity and academic excellence; our students learn with and from each other in an experience-centered, inquiry-based learning environment. With participation from our entire community, we strive to instill in each student a dedication to improving the world we inhabit.

Other Related Entities

Larchmont Charter School Support Corporation

On May 10, 2018, LCS Support Corporation, a California nonprofit public benefit corporation (the Designator) was formed to carry out the purposes of Larchmont Schools. The specific purpose of the corporation is to operate and maintain an educational institution; to facilitate the development of charter schools; to lease, own, manage, and maintain charter schools; to assist philanthropists and foundations in accelerating the growth of high quality charter schools; and to provide and otherwise obtain or assist in obtaining charter school financing. Additionally, the corporation may engage in any activities that are reasonably related to or in furtherance of its stated public and charitable public purposes, or in any other charitable activities.

Larchmont LFP LLC

On July 2, 2018, the Designator formed a separate Limited Liability Company named Larchmont LFP LLC (the LLC) for the purpose of supporting and holding properties that will be leased to Larchmont Schools for use as one of their campus locations.

The relationship between the Charter Schools, the Designator, and the LLC were created with the purpose to accelerate the growth of high-quality charter schools and providing support by leasing, holding, owning, or providing real property and charter school facilities on behalf of and for the use and benefit of the Charter School. On June 30, 2019, the Charter School transferred the rights, title and interest of the LLC to the Designator to be sole member provided that the Charter School will remain the Manager of the LLC until removed or replaced as noted in the operating agreement. Consolidation is required due to the Charter Schools' controlling financial interest of the Designator. The Charter Schools have majority voting interest of the Designator through appointment of its directors. Pursuant to its bylaws, the governing board is composed of parent/guardians of currently enrolled students and community members with expertise in areas that enhance the governance and operation of Larchmont and its schools.

Principles of Consolidation

The consolidated financial statements include the accounts of the Larchmont Schools, Larchmont Charter School Support Corporation, and Larchmont LFP, LLC. All significant intracompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Basis of Accounting

The accompanying consolidated financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position unless otherwise noted. Net investment return/(loss) is reported within local revenues in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. Substantially all outstanding accounts receivable as of June 30, 2020, are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The majority of the Charter School's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Charter School would otherwise purchase the services. No amounts have been reflected in the accompanying consolidated financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The Charter School was granted a \$2,719,500 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Charter School is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Charter School has recorded the loan and any accrued interest as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Charter School maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Charter School will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification that the loan will not be forgiven or partially forgiven. At June 30, 2020, the refundable advance related to PPP consists of \$2,719,500 in loan and \$3,949 in accrued interest.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method. Debt issuance costs are included within bonds payable in the statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2020.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, which are allocated on managements estimates, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Charter School's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Organization for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Organization for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Organization has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received and has early adopted the provisions of contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Organization has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statements.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 4,586,762
Accounts receivable	2,686,278
	\$ 7,273,040
Total	\$ 7,273,040

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the LLC invests cash in excess of daily requirements in short-term investments.

Note 3 - Fair Value Measurements and Disclosures

The LLC reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. Mutual funds and equities are invested and traded in the financial markets. Short-term investments (consisting primarily of money market funds) corporate, and agency, for which quoted prices are not readily available are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 1.

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

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

Investments	
Money market funds	<u>\$ 2,134,301</u>

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2020:

Land	\$ 1,590,507
Building improvements	8,540,063
Computer and equipment	484,114
Furniture	13,492
	10,628,176
Less accumulated depreciation	(1,320,225)
Total	\$ 9,307,951

Note 5 - Bonds Payable

Charter School Lease Revenue Bonds, Series 2019A

On August 17, 2018, the LLC issued \$11,305,000 in Charter School Lease Revenue Bonds, Series 2019A. The bonds mature on June 1, 2055, with interest rates of 3.78 to 4.46 percent. Proceeds of the bonds will be used to finance certain costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of a charter school facility known as Larchmont Charter School - La Fayette Park Campus.

\$ 11,305,000

Charter School Lease Revenue Bonds, Series 2019B

On August 17, 2018 the LLC issued \$330,000 in Charter School Lease Revenue Bonds, Series 2019B. The bonds mature on June 1, 2021, with an interest rate of 5.00 percent. Proceeds of the bonds will be used to finance certain costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of a charter school facility known as Larchmont Charter School - La Fayette Park Campus.

At June 30, 2020, a principal payment of \$120,000 was made.

120,000

Subtotal outstanding bonds

11,425,000

Premium on Charter School Lease Bonds, Series 2019A

529,398

Bond issuance costs on Charter School Lease Revenue Bonds, Series 2019A and B

(450,506)

Total

\$ 11,503,892

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal
2021	\$ 130,000
2022	135,000
2023	140,000
2024	145,000
2025	155,000
Thereafter	10,720,000
Less unamortized debt issuance costs	(450,506)
Unamortized bond premium	529,398
	\$ 11,503,892
Total	\$ 11,503,892

Note 6 - Operating Lease

On April 25, 2005, Larchmont Schools entered into a lease agreement with Archdiocese of Los Angeles Education and Welfare Corporation in which Larchmont Schools will occupy St. Ambrose Parish located at 1265 N. Fairfax Avenue, Los Angeles for its campus location. The term of this agreement expires on August 31, 2030. Lease expense for the fiscal year ending June 30, 2020 was \$287,380, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2021	\$ 288,858
2022	297,525
2023	306,450
2024	315,644
2025	325,113
Thereafter	1,840,975
	\$ 3,374,565
Total	\$ 3,374,565

Larchmont Schools entered into an agreement on May 5, 2006, with Uplift Family Services for its campus location at 815 North El Centro Avenue, Los Angeles. An amendment was made in April 2017, in which the amount of rent due is \$2.24 per square foot. On June 20, 2017, the term was extended for 36 months expiring on July 31, 2020. A second amendment was made on May 15, 2020 to extend the lease expiration to July 31, 2021, where the rent due is \$2.36 per square foot. A third amendment was made on September 30, 2020, to extend the lease to July 31, 2022, in which the rent is due \$2.41 per square foot. The lease expense for fiscal year 2019-2020 was \$426,224.

Year Ending June 30,	Lease Payment
2021	\$ 430,899
2022	35,938
Total	\$ 466,837

Larchmont Schools renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating the educational programs and related activities. The property is located at 6611 Selma Avenue, Los Angeles, CA 90028 (Selma Elementary School). The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2020, was \$222,964.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

Net Assets with Donor Restrictions

Subject to expenditure for specified purpose

Engineering and construction friendly maker space/STEAM lab and associated programming	\$ 22,935
Classroom upgrade and environmental science programs	43,200
Scholarship Fund	20,000
Strategic Planning	27,219
High School Sports Program	500
Total nets assets with donor restrictions	\$ 113,854

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020.

Satisfaction of Purpose Restrictions	
Capital campaign	\$ 56,750
Girls build projects	1,494
Suicide prevention	6,355
Engineering and construction friendly maker space/STEAM lab and associated programming	2,065
STEAM Activities	31,800
Support Van Services and PR/Marketing	50,000
Strategic Planning	30,000
Total nets assets released from donor restrictions	\$ 178,464

Note 8 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans 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 (c) if Larchmont Schools chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. Larchmont Schools has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

Larchmont Schools contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Larchmont Schools contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	17.10%	17.10%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, Charter School, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the Organization's total contributions were \$1,437,065.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of Larchmont Schools. These payments consist of State General Fund contributions to CalSTRS in the amount of \$771,952 (10.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of this contribution has been recorded in the amount of \$258,939 in these financial statements.

Note 9 - Contingencies

The Organization 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 reimbursement, if required, would not be material.

Note 10 - Participation in Joint Powers Authority

Larchmont Schools is a participant in the California Charter Schools Association Joint Powers Authority (CCSA-JPA) *dba* CharterSAFE for risk management services for workers' compensation. The relationship between Larchmont Schools and CharterSAFE is such that the CharterSAFE is not considered a component unit of Larchmont Schools for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and Larchmont Schools are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2019-2020 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2020, Larchmont Schools made a payment of \$250,994 to CharterSAFE for services received.

Note 11 - Subsequent Events

Larchmont Schools' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 9, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Subsequent to year-end, Larchmont Schools has been negatively impacted by the effects of the world-wide coronavirus pandemic. Larchmont Schools is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to Larchmont Schools' financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

In September 30, 2020, an amendment was made to extend the operating lease for Larchmont Schools with Uplift Family Services for premises located at 815 El Centro Ave., Los Angeles, California for the sole purpose of operating the educational programs and related activities. The terms of this agreement expire on July 31, 2022.



Supplementary Information
June 30, 2020

Larchmont Schools and Subsidiaries

Larchmont Schools and Subsidiaries
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Special Education Cluster			
Basic Local Assistance Entitlement	84.027	13379	\$ 306,195
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	239,783
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	40,122
Title III, English Learner Student Program	84.365	14346	13,953
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	<u>17,887</u>
Total U.S. Department of Education			<u>617,940</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	<u>207,961</u>
Total Federal Programs			<u><u>\$ 825,901</u></u>

Larchmont Schools and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2020

	Larchmont Schools	LLC	Consolidated Total
Assets			
Current assets			
Cash and cash equivalents	\$ 4,586,762	\$ -	\$ 4,586,762
Short-term investments	-	2,134,301	2,134,301
Accounts receivable	2,686,278	-	2,686,278
Prepaid expenses	156,379	-	156,379
Total current assets	<u>7,429,419</u>	<u>2,134,301</u>	<u>9,563,720</u>
Non-current assets			
Security deposit	29,750	-	29,750
Restricted cash	-	708,632	708,632
Property and equipment, net	738,738	8,569,213	9,307,951
Total non-current assets	<u>768,488</u>	<u>9,277,845</u>	<u>10,046,333</u>
Total assets	<u>\$ 8,197,907</u>	<u>\$ 11,412,146</u>	<u>\$ 19,610,053</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,371,458	\$ -	\$ 1,371,458
Deferred revenue and rent	239,940	-	239,940
Refundable advance - Paycheck Protection Program (PPP)	2,723,449	-	2,723,449
Current portion of bonds payable	-	130,000	130,000
Total current liabilities	<u>4,334,847</u>	<u>130,000</u>	<u>4,464,847</u>
Long-term liabilities			
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	11,373,892	11,373,892
Total liabilities	<u>4,334,847</u>	<u>11,503,892</u>	<u>15,838,739</u>
Net Assets			
Without donor restrictions	3,749,206	(91,746)	3,657,460
With donor restrictions	113,854	-	113,854
Total net assets	<u>3,863,060</u>	<u>(91,746)</u>	<u>3,771,314</u>
Total liabilities and net assets	<u>\$ 8,197,907</u>	<u>\$ 11,412,146</u>	<u>\$ 19,610,053</u>

Larchmont Schools and Subsidiaries
 Consolidating Statement of Activities
 June 30, 2020

	Larchmont Schools	LLC	Eliminations	Consolidated Total
Support and Revenues				
Local Control Funding Formula	\$ 13,916,678	\$ -	\$ -	\$ 13,916,678
Federal revenue	825,901	-	-	825,901
Other state revenue	2,545,393	-	-	2,545,393
Local revenues	3,523,158	31,141	-	3,554,299
Rental income	-	658,876	(658,876)	-
Total support and revenues	20,811,130	690,017	(658,876)	20,842,271
Expenses				
Program services	17,339,024	-	(573,273)	16,765,751
Management and general	3,261,684	777,548	(85,603)	3,953,629
Total expenses	20,600,708	777,548	(658,876)	20,719,380
Change in Net Assets	210,422	(87,531)	-	122,891
Net Assets, Beginning of Year	3,652,638	(4,215)	-	3,648,423
Net Assets (Deficit), End of Year	<u>\$ 3,863,060</u>	<u>\$ (91,746)</u>	<u>\$ -</u>	<u>\$ 3,771,314</u>

ORGANIZATION

Larchmont Schools’ charter was granted on February 8, 2005, and most recently renewed on October 15, 2019, by the Los Angeles Unified School District. Larchmont Schools operate two elementary school campuses (Fairfax and Hollygrove campuses) for students in transitional kindergarten through grade four, one intermediate school (Selma campus) for students in grades five through seven, and one secondary school (La Fayette Park campus) for students in grades eight through twelve.

Governing Board

Member	Office	Term Expires
Ali Baird	Chair	June 4, 2021
Jesse Noonan	Vice Chair	June 2, 2022
Frances Hoge	Secretary	June 2, 2022
Jeremy George	Treasurer	June 2, 2022
Ben Howell	Member	February 4, 2022
Mario Perez	Member	February 4, 2022
Scott Thomas	Member	February 4, 2022
Steven Kim	Member	March 31, 2022
Jennifer Berry	Member	February 5, 2021
Rebecca Hutchinson	Member	January 15, 2021
Skye-Ephifanie Patrick	Member	February 5, 2021
Luis Carbajo	Member	March 31, 2022
Dulari Amin	Member	February 4, 2022
Collette Williams Alleyne	Member	February 5, 2021
Neil Parris	Member	February 4, 2022

Administration

Name	Title
Amy Held	Executive Director
Alissa Chariton and Eva Orozco	Co-Principals, Hollygrove Campus
Mersedeh Emrani	Principal, Fairfax Campus
Sarah Perkins	Principal, Selma Campus
Mike Kang	Principal, La Fayette Park Campus

Larchmont Schools and Subsidiaries
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	Second Period Report 6F0581E3	Annual Report F58B6D7A
Regular ADA		
Transitional kindergarten through third	462.47	462.47
Fourth through sixth	364.90	364.90
Seventh and eighth	249.22	249.22
Ninth through twelfth	409.93	409.93
Total Regular ADA	1,486.52	1,486.52
Extended Year Special Education		
Transitional kindergarten through third	1.01	1.01
Fourth through sixth	0.47	0.47
Seventh and eighth	0.09	0.09
Ninth through twelfth	0.59	0.59
Total Extended Year Special Education	2.16	2.16
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.81	1.81
Total Regular ADA	1,490.49	1,490.49
Classroom Based ADA		
Transitional kindergarten through third	452.58	452.58
Fourth through sixth	362.13	362.13
Seventh and eighth	248.42	248.42
Ninth through twelfth	409.58	409.58
Total Regular ADA	1,472.71	1,472.71
Extended Year Special Education		
Transitional kindergarten through third	1.01	1.01
Fourth through sixth	0.47	0.47
Seventh and eighth	0.09	0.09
Ninth through twelfth	0.59	0.59
Total Extended Year Special Education	2.16	2.16
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.81	1.81
Total Classroom Based ADA	1,476.68	1,476.68

Larchmont Schools and Subsidiaries

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	60,850	178	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		56,200	178	N/A	Complied
Grade 2		56,200	178	N/A	Complied
Grade 3		56,200	178	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		56,200	178	N/A	Complied
Grade 5		59,295	178	N/A	Complied
Grade 6		63,675	178	N/A	Complied
Grade 7		54,220	178	N/A	Complied
Grade 8		64,835	178	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,835	178	N/A	Complied
Grade 10		67,985	178	N/A	Complied
Grade 11		67,835	178	N/A	Complied
Grade 12		67,985	178	N/A	Complied

Larchmont Schools and Subsidiaries
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements

Net Assets	
Balance, June 30, 2020, Unaudited Actuals	\$ 3,881,198
Decrease in	
Property and equipment, net	<u>(18,138)</u>
Balance, June 30, 2020, Audited Financial Statements	<u><u>\$ 3,863,060</u></u>

Note 1 - Purpose of Supplementary Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

Consolidating Statement of Financial Position and Consolidating Statement of Activities

The Consolidating Statement of Financial Position and Consolidating Statement of Activities report the activities of the Larchmont Schools and related entities and are presented on the accrual basis of accounting. Eliminating entries in the Consolidating Statement of Financial Position and Consolidating Statement of Activities are for activities between Larchmont Schools and the related entities.

Local Education Agency Organization Structure

This schedule provides information about Larchmont Schools operations, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Organization's. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at Larchmont Schools.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by Larchmont Schools and whether Larchmont Schools complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Larchmont Schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Due to school closures caused by COVID-19, Larchmont Schools filed the COVID-19 School Closure Certification certifying that schools were closed for 54 days due to the pandemic. As a result, Larchmont Schools received credit for these days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial statements.



Independent Auditor's Reports
June 30, 2020

Larchmont Schools and Subsidiaries



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Larchmont Schools
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 consolidated financial statements of Larchmont Schools and Subsidiaries (the Organization) which comprise the consolidated statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’s consolidated 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 Organization's consolidated 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 consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 9, 2020



Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Larchmont Schools
Los Angeles, California

Report on Compliance for the Major Federal Program

We have audited Larchmont Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Larchmont Schools' major Federal program for the year ended June 30, 2020. The Organization's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major Federal program 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 Organization'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 the major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, Larchmont Schools 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 Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Organization'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 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 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.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Rancho Cucamonga, California
December 9, 2020



Independent Auditor's Report on State Compliance

Governing Board
Larchmont Schools
Los Angeles, California

Report on State Compliance

We have audited Larchmont Schools' 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* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Larchmont Schools; compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit 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 the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about Larchmont Schools' 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. However, our audit does not provide a legal determination of Larchmont Schools' compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine Larchmont Schools’ compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS

Procedures
Performed

Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform procedures for the After/Before School Education and Safety Program because Larchmont Schools does not offer the program.

Larchmont Schools does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study because the ADA was below the level for testing.

Unmodified Opinion

In our opinion, Larchmont Schools complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 9, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster	84.027
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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Larchmont Schools, Larchmont Charter School Support Corporation, and
Larchmont LFP, LLC
Financial Statement Findings
Year Ended June 30, 2020

None reported.

Larchmont Schools, Larchmont Charter School Support Corporation, and
Larchmont LFP, LLC
Federal Awards Findings and Questioned Costs
Year Ended June 30, 2020

None reported.

Larchmont Schools, Larchmont Charter School Support Corporation, and
Larchmont LFP, LLC
State Compliance Findings and Questioned Costs
Year Ended June 30, 2020

None reported.

Larchmont Schools, Larchmont Charter School Support Corporation, and
Larchmont LFP, LLC
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.