



LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

Los Angeles Academy of Arts and Enterprise (Charter No. 0675)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Los Angeles Academy of Arts and Enterprise
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles Academy of Arts and Enterprise (the "Charter") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant 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 above present fairly, in all material respects, the financial position of Los Angeles Academy of Arts and Enterprise as of June 30, 2021, 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 financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 our report dated January 28, 2022, on our consideration of the Charter'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 Charter'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 Charter's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 28, 2022

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 1,972,929
Investments	450,000
Accounts receivable	1,205,722
Prepaid expenses	62,698
Total current assets	<u>3,691,349</u>

Noncurrent assets

Deposits	51,336
Capital assets, net	194,642
Total noncurrent assets	<u>245,978</u>
Total Assets	<u>\$ 3,937,327</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 264,769
Deferred revenue	169,646
Total liabilities	<u>434,415</u>

Net assets

Without donor restrictions	3,293,875
With donor restrictions	209,037
Total net assets	<u>3,502,912</u>
Total Liabilities and Net Assets	<u>\$ 3,937,327</u>

The notes to the financial statements are an integral part of this statement.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 2,576,991	\$ -	\$ 2,576,991
Federal revenues	1,836,235	-	1,836,235
Other state revenues	636,866	159,037	795,903
Total federal and state support and revenues	<u>5,050,092</u>	<u>159,037</u>	<u>5,209,129</u>
Local support and revenues			
Payments in lieu of property taxes	783,857	-	783,857
Grants and donations	110,923	4,877	115,800
Investment income, net	2,395	-	2,395
Other local revenues	58,621	-	58,621
Total local support and revenues	<u>955,796</u>	<u>4,877</u>	<u>960,673</u>
Donor restrictions satisfied	4,877	(4,877)	-
Total Support and Revenues	<u>6,010,765</u>	<u>159,037</u>	<u>6,169,802</u>
EXPENSES			
Program services	5,107,452	-	5,107,452
Management and general	203,987	-	203,987
Total Expenses	<u>5,311,439</u>	<u>-</u>	<u>5,311,439</u>
CHANGE IN NET ASSETS	699,326	159,037	858,363
Net Assets - Beginning	<u>2,594,549</u>	<u>50,000</u>	<u>2,644,549</u>
Net Assets - Ending	<u>\$ 3,293,875</u>	<u>\$ 209,037</u>	<u>\$ 3,502,912</u>

The notes to the financial statements are an integral part of this statement.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

EXPENSES	Program Services	Management and General	Total
Personnel expenses			
Certificated salaries	\$ 1,904,235	\$ 69,569	\$ 1,973,804
Non-certificated salaries	736,947	49,122	786,069
Pension contributions	445,567	1,084	446,651
Payroll taxes	116,851	2,904	119,755
Other employee benefits	204,458	4,980	209,438
Total personnel expenses	<u>3,408,058</u>	<u>127,659</u>	<u>3,535,717</u>
Non-personnel expenses			
Books and supplies	674,806	7,896	682,702
Insurance	44,525	1,855	46,380
Facilities	321,836	12,301	334,137
Professional services	300,260	39,732	339,992
Interest expense	5	-	5
Depreciation	15,120	-	15,120
Equipment	32,749	1,268	34,017
Fees to authorizing agency	206,795	1,340	208,135
Other operating expenses	103,298	11,936	115,234
Total non-personnel expenses	<u>1,699,394</u>	<u>76,328</u>	<u>1,775,722</u>
Total Expenses	<u>\$ 5,107,452</u>	<u>\$ 203,987</u>	<u>\$ 5,311,439</u>

The notes to the financial statements are an integral part of this statement.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 858,363
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	15,120
(Increase) decrease in operating assets	
Accounts receivable	1,200,468
Prepaid expenses	(19,738)
Increase (decrease) in operating liabilities	
Accounts payable	(202,563)
Deferred revenue	137,866
Net cash provided by (used in) operating activities	<u>1,989,516</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Forgiveness of PPP loan	<u>(635,890)</u>
Net cash provided by (used in) financing activities	<u>(635,890)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,353,626
Cash and cash equivalents - Beginning	<u>619,303</u>
Cash and cash equivalents - Ending	<u>\$ 1,972,929</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 5</u>

The notes to the financial statements are an integral part of this statement.

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Los Angeles Academy of Arts and Enterprise (the “Charter”) was formed as a nonprofit public benefit corporation on March 17, 2005, for the purpose of operating as a California public school located in Los Angeles County. The Charter was numbered by the State Board of Education in March 2005 as California Charter No. 0675.

During the year ended June 30, 2021, Los Angeles Academy of Arts and Enterprise served grades 6 to 12. Los Angeles Academy of Arts and Enterprise’s mission is “to prepare students for leadership in the arts and business, where creativity, academic knowledge and financial literacy are essential for success. We are developing a generation of diverse, educated, compassionate leaders in the arts and business by providing a dynamic, innovative education that integrates the four lenses of learning: Academics, Arts, Enterprise, and Personal Growth.”

Los Angeles Academy of Arts and Enterprise is authorized to operate as a charter school through Los Angeles Unified School District (the “authorizing agency” or the “District”). On March 24, 2020, the Board of Directors of Los Angeles Unified School District approved a charter renewal petition for a 5 year term beginning July 1, 2020 and expiring on June 30, 2025. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Los Angeles Academy of Arts and Enterprise is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, Los Angeles Academy of Arts and Enterprise also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

F. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Los Angeles Academy of Arts and Enterprise. Revenues are recognized by the Charter when earned.

H. Cash and Cash Equivalents

Los Angeles Academy of Arts and Enterprise considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2021, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Los Angeles Academy of Arts and Enterprise has adopted a policy to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

Los Angeles Academy of Arts and Enterprise is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

O. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2021, consists of cash in banks of \$1,972,929 in interest-bearing accounts.

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Los Angeles Academy of Arts and Enterprise does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2021, \$1,720,204 of the Los Angeles Academy of Arts and Enterprise's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at any one insured bank.

NOTE 3 – INVESTMENTS

The Charter's certificates of deposit are the only investments classified as investments in the statement of financial position and are carried at amortized cost. These investments do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided. As of June 30, 2021, the carrying value of the certificates of deposit is \$450,000.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consists of the following:

Local control funding sources, state aid	\$	785,673
Federal sources		201,234
Other state sources		194,109
In lieu property tax payments		24,408
Local sources		298
Total Accounts Receivable	\$	1,205,722

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 5 – PREPAID EXPENSES

At June 30, 2021, prepaid expenses consisted of \$62,698 relating to insurance premiums, equipment lease, and consulting fees for the 2021-22 school year.

NOTE 6 – DEPOSITS

At June 30, 2021, deposits consisted of \$51,336 for a rent security deposit paid on November 21, 2008. The Charter is no longer renting the property and expects the deposit to be returned when litigation is complete.

NOTE 7 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2021 consists of the following:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Property and equipment				
Artwork	\$ 119,350	\$ -	\$ -	\$ 119,350
Furniture and equipment	64,526	-	-	64,526
Vehicles	97,616	-	-	97,616
Total property and equipment	<u>281,492</u>	-	-	<u>281,492</u>
Less accumulated depreciation	(71,730)	(15,120)	-	(86,850)
Capital Assets, net	<u>\$ 209,762</u>	<u>\$ (15,120)</u>	<u>\$ -</u>	<u>\$ 194,642</u>

NOTE 8 – LIABILITIES

Accounts Payable

Accounts payable as of June 30, 2021, consists of the following:

Vendor payables	\$ 107,827
Compensated absences	82,200
Deferred summer compensation	68,848
Due to grantor government	5,894
Total Accounts Payable	<u>\$ 264,769</u>

Deferred Revenue

As of June 30, 2021, deferred revenue of \$169,646 consists of state sources.

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 9 – NET ASSETS

Net Assets with Donor Restrictions

As of June 30, 2021, the Charter’s net assets with donor restrictions consist of the following:

National school lunch program	\$ 159,037
No kid hungry program	50,000
Total Net Assets with Donor Restrictions	<u>\$ 209,037</u>

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2021, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 194,642
Undesignated	3,099,233
Total Net Assets without Donor Restrictions	<u>\$ 3,293,875</u>

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 1,972,929
Investments, at cost	450,000
Accounts receivable	1,205,722
Prepaid expenses	62,698
Total Financial Assets, excluding noncurrent	<u>\$ 3,691,349</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	<u>(209,037)</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 3,482,312</u>

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PAYCHECK PROTECTION PROGRAM (PPP)

In April 2020, the Charter received a loan in the amount of \$635,890 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP, established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses. Under the terms of the PPP, the full loan and any accrued interest may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Charter applied for forgiveness with the lender and received full forgiveness from the SBA. The amount of loan forgiveness is presented as a component of federal support and revenues on the statement of activities.

NOTE 12 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Los Angeles Academy of Arts and Enterprise in an effort to advance the Charter’s programs and objectives. These services have not been recorded in the Charter’s financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 13 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS).

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Los Angeles Academy of Arts and Enterprise contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2020-21 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2020-21 was 16.15% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2020-21	\$ 267,335	100%
2019-20	\$ 300,850	100%
2018-19	\$ 272,873	100%

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 13 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Los Angeles Academy of Arts and Enterprise is estimated at \$179,316. The on-behalf payment amount is computed as the proportionate share of total 2019-20 State on-behalf contributions.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Los Angeles Academy of Arts and Enterprise is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$3,073,672 as of June 30, 2020. Refer to Note 13 for additional information on employee retirement plans.

Governmental Funds

Los Angeles Academy of Arts and Enterprise 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Facility Lease Agreement

In April 2019, the Charter entered into a facilities alternative agreement with Los Angeles Unified School District to share space at the Edward R. Roybal Learning Center campus located at 1200 W. Colton Street in Los Angeles, California. Actual rent payments made were \$308,841 for the fiscal year ended June 30, 2021.

Litigation

Los Angeles Academy of Arts and Enterprise was involved in litigation with a prior landlord related to the conditions of its previously occupied school facilities. In August 2019, the suit came to an updated judgment distribution awarding the Charter \$1.34 million. Concurrent to this case, a second suit was filed against the defendants, in February 2017, for the time period after the first case, November 2013 to present day. That trial was tentatively scheduled for December 2021 but due to trial delays it has been rescheduled, the new trial date is unconfirmed. The Charter anticipates another favorable judgment.

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 15 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, Los Angeles Unified School District, to provide required services for special education in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$33,493 and total fees for special education encroachment amounted to \$174,642 for the fiscal year ended June 30, 2021. Refer to Note 14 regarding facility lease agreement entered into with the District.

Board of Directors

Certain members of the Board of Directors are related parties. Moctesuma Esparza and Tonantzin Esparza are father and daughter and Hector and Norma Orci are married.

NOTE 16 – SUBSEQUENT EVENTS

Los Angeles Academy of Arts and Enterprise has evaluated subsequent events for the period from June 30, 2021 through January 28, 2022, the date the financial statements were available to be issued.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the new term expiration date to the charter petition mentioned in Note 1A is June 30, 2027.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
LEA ORGANIZATION STRUCTURE
JUNE 30, 2021

Los Angeles Academy of Arts and Enterprise, located in Los Angeles County, was formed as a nonprofit public benefit corporation on March 17, 2005 and numbered by the State Board of Education in March 2005 as California Charter No. 0675. The Charter is authorized to operate as a charter school through Los Angeles Unified School District. Classes began in September 2005 for grade 6 only. During 2020-21, the Charter served approximately 287 students in grades 6 to 12.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Moctesuma Esparza	Chair	June 2023
Hector Orcí	Vice Chair	June 2023
Julio Vallejo	Secretary and Treasurer	May 2024
Tonantzin Esparza	Member	December 2022
Norma Orcí	Member	June 2023
Otto Pádrón	Member	June 2023
Victoria Castro	Member	May 2024

ADMINISTRATION

David Calvo
Principal

Michael Coleman
Assistant Principal

David DeFrenza
Assistant Principal

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 145,466
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	12,351
Title III, Immigrant Education Program	84.365	15146	14,186
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	11,547
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	56,884
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	10,580
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	125,060
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	181,963
Subtotal Education Stabilization Fund Discretionary Grants			<u>317,603</u>
Total U. S. Department of Education			<u>558,037</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
School Breakfast Program - Needy	10.553	13526	131,268
National School Lunch Program	10.555	13391	233,022
Subtotal Child Nutrition Cluster			<u>364,290</u>
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding: [1]			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	277,044
Total U. S. Department of the Treasury			<u>277,044</u>
Total Federal Expenditures			<u>\$ 1,199,371</u>

[1] - Major Program

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds of the Paycheck Protection Program are not subject to a Federal Single Audit.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 1,836,235
SBA: Paycheck Protection Program (PPP)	59.073	<u>(636,864)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 1,199,371</u>

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Grade Span</u>	<u>2020-21 Number of Days</u>	<u>Status</u>
Grades 6 through 8	190	Complied
Grades 9 through 12	190	Complied

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021**

June 30, 2021, net position in the Charter School Enterprise Fund per the Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ 3,471,132</u>
Adjustments:	
Increase (decrease) in total net assets:	
Reclass state revenue as a reduction to deferred revenue	<u>31,780</u>
Net adjustments	<u>31,780</u>
June 30, 2021, net assets per audited financial statements	<u>\$ 3,502,912</u>

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter and is presented on the accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Charter has not elected to use the 10 percent de minimis indirect cost rate.

C. Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the Los Angeles Academy of Arts and Enterprise and whether the Charter complied with the provisions of *Education Code Section 47612*.

D. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position for the Charter School Enterprise Fund reported on the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

To the Board of Directors of
Los Angeles Academy of Arts and Enterprise
Los Angeles, California

We have audited, 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, the financial statements of Los Angeles Academy of Arts and Enterprise (the "Charter") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 28, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

To the Board of Directors of
Los Angeles Academy of Arts and Enterprise
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles Academy of Arts and Enterprise's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Los Angeles Academy of Arts and Enterprise's major federal programs for the year ended June 30, 2021. Los Angeles Academy of Arts and Enterprise's major federal programs are 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 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 each of Los Angeles Academy of Arts and Enterprise'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 Los Angeles Academy of Arts and Enterprise'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 Los Angeles Academy of Arts and Enterprise's compliance.

Opinion on Each Major Federal Program

In our opinion, Los Angeles Academy of Arts and Enterprise complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Los Angeles Academy of Arts and Enterprise 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 Los Angeles Academy of Arts and Enterprise'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 Los Angeles Academy of Arts and Enterprise'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 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.

Christy White, Inc.

San Diego, California
January 28, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Directors of
Los Angeles Academy of Arts and Enterprise
Los Angeles, California

Report on State Compliance

We have audited Los Angeles Academy of Arts and Enterprise's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Los Angeles Academy of Arts and Enterprise's state programs for the fiscal year ended June 30, 2021, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Los Angeles Academy of Arts and Enterprise's state 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 the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards 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 the state programs noted below. An audit includes examining, on a test basis, evidence about Los Angeles Academy of Arts and Enterprise'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 with the requirements referred to above. However, our audit does not provide a legal determination of Los Angeles Academy of Arts and Enterprise's compliance with those requirements.

Opinion on State Compliance

In our opinion, Los Angeles Academy of Arts and Enterprise complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, and which are described in the accompanying schedule of findings and questioned costs as Finding 2021-001. Our opinion on state compliance is not modified with respect to these matters.

Los Angeles Academy of Arts and Enterprise’s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs as the corrective action plan. Los Angeles Academy of Arts and Enterprise’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Los Angeles Academy of Arts and Enterprise’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Instructional Time	Yes
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
K-3 Grade Span Adjustment	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	No
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study – Course Based	Not applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Charter School Facility Grant Program	Not applicable

We did not perform testing for California Clean Energy Jobs Act because all funding has been returned and there has been no additional funding or expenditures related to the program.

Christy White, Inc.

San Diego, California
January 28, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425C, 84.425D	Education Stabilization Fund Discretionary Grants
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings related to the financial statements during 2020-21.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

There were no audit findings or questioned costs related to the federal awards during 2020-21.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING 2021-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria: Students designated as Free and Reduced Meal (FRPM) eligible and English Learners (EL), who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report, must have supporting documentation that indicates the student was eligible for their status. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: Based on student designations from the 2020-21 CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report, we were not able to obtain English Language Proficiency Assessments for California (ELPAC) student score report or home language surveys to confirm students designated as EL. As a result, the total population excluding directly certified, foster youth, and homeless students, was noted to be in error.

Effect: The Charter is not in compliance with State requirements. A total of three (3) students are ineligible for EL designation.

Cause: Due to staff turnover, the students' ELPAC student score reports could not be located.

Questioned Cost: \$1,625, as calculated in the table on the following page using guidance from the California Department of Education (CDE).

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

**FINDING 2021-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)
(continued)**

Questioned Cost (continued):

Total Adjusted Enrollment from the UPP exhibit as of P-2	853
Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	811
Audit Adjustment - Number of Enrollment	-
Audit Adjustment - Number of Unduplicated Pupil Count	(3)
Revised Adjusted Enrollment	853
Revised Adjusted Unduplicated Pupil Count	808
UPP calculated as of P-2	0.9508
Revised UPP for audit finding	0.9472
Charter Schools Only: Determinative School District Concentration Cap	0.8518
Revised UPP adjusted for Concentration Cap	0.8518
Supplemental and Concentration Grant TK/K–3 ADA	0.00
Supplemental and Concentration Grant 4–6 ADA	0.00
Supplemental and Concentration Grant 7–8 ADA	78.94
Supplemental and Concentration Grant 9–12 ADA	169.57
Adjusted Base Grant per TK/K–3 ADA	\$8,503
Adjusted Base Grant per 4–6 ADA	\$7,818
Adjusted Base Grant per 7–8 ADA	\$8,050
Adjusted Base Grant per 9–12 ADA	\$9,572
Supplemental Grant Funding calculated as of P-2	\$429,493
Revised Supplemental Grant Funding for audit finding	\$427,868
Supplemental Grant Funding audit adjustment	(\$1,625)
Concentration Grant Funding calculated as of P-2	\$340,821
Revised Concentration Grant Funding for audit finding	\$340,821
Concentration Grant Funding audit adjustment	\$0
Total Supplemental and Concentration audit adjustment	(\$1,625)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that documentation of EL status (i.e. ELPAC student score reports or home language surveys) is maintained for all students to ensure for proper classification as EL eligible within the student information system as well as in CALPADS.

Corrective Action Plan: We have a new English Language coordinator overseen ELPAC testing. Additionally, the Principal will be trained on the CALPADS reporting to provide oversight.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no audit findings reported in the 2019-20 fiscal year.