



# LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2023**

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

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

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
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**JUNE 30, 2023**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Los Angeles Academy of Arts and Enterprise which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Academy of Arts and Enterprise as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Change in Accounting Principle**

As discussed in section O of Note 1 to the financial statements, in 2022-23 Los Angeles Academy of Arts and Enterprise adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Los Angeles Academy of Arts and Enterprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Academy of Arts and Enterprise's ability to continue as a going concern for a reasonable period of time.

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 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 18, 2024, on our consideration of Los Angeles Academy of Arts and Enterprise'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 Los Angeles Academy of Arts and Enterprise'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 Los Angeles Academy of Arts and Enterprise's internal control over financial reporting and compliance.

*Christy White, Inc.*

San Diego, California  
January 18, 2024

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**

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**ASSETS**

Current assets

Cash and cash equivalents	\$	1,972,813
Investments		2,230,449
Accounts receivable		691,521
Prepaid expenses		25,477
Total current assets		<u>4,920,260</u>

Noncurrent assets

Right-of-use asset		4,559
Deposits		86,325
Capital assets, net		162,094
Total noncurrent assets		<u>252,978</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>5,173,238</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$	308,726
Operating lease liability		4,379
Deferred revenue		1,318,768
Total liabilities		<u>1,631,873</u>

Net assets

Without donor restrictions		3,447,413
With donor restrictions		93,952
Total net assets		<u>3,541,365</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>5,173,238</u></b>

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, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 2,975,392	\$ -	\$ 2,975,392
Federal revenues	1,001,674	-	1,001,674
Other state revenues	892,700	263,619	1,156,319
Total federal and state support and revenues	<u>4,869,766</u>	<u>263,619</u>	<u>5,133,385</u>
Local support and revenues			
Payments in lieu of property taxes	878,902	-	878,902
Grants and donations	9,184	-	9,184
Investment income, net	166,290	-	166,290
Other local revenues	20,450	-	20,450
Total local support and revenues	<u>1,074,826</u>	<u>-</u>	<u>1,074,826</u>
Donor restrictions satisfied	419,433	(419,433)	-
<b>Total Support and Revenues</b>	<u>6,364,025</u>	<u>(155,814)</u>	<u>6,208,211</u>
<b>EXPENSES</b>			
Program services	5,700,630	-	5,700,630
Management and general	362,019	-	362,019
<b>Total Expenses</b>	<u>6,062,649</u>	<u>-</u>	<u>6,062,649</u>
<b>CHANGE IN NET ASSETS</b>	301,376	(155,814)	145,562
<b>Net Assets - Beginning</b>	<u>3,146,037</u>	<u>249,766</u>	<u>3,395,803</u>
<b>Net Assets - Ending</b>	<u>\$ 3,447,413</u>	<u>\$ 93,952</u>	<u>\$ 3,541,365</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, 2023**

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	Program Services	Management and General	Total
<b>EXPENSES</b>			
Personnel expenses			
Certificated salaries	\$ 1,800,559	\$ 51,316	\$ 1,851,875
Non-certificated salaries	557,428	151,698	709,126
Pension plan contributions	495,667	-	495,667
Payroll taxes	113,547	5,637	119,184
Other employee benefits	174,062	8,207	182,269
Total personnel expenses	<u>3,141,263</u>	<u>216,858</u>	<u>3,358,121</u>
Non-personnel expenses			
Books and supplies	466,471	15,089	481,560
Insurance	50,750	4,764	55,514
Facilities	386,664	33,315	419,979
Professional services	1,351,805	82,556	1,434,361
Depreciation	15,932	1,496	17,428
Fees to authorizing agency	197,452	3,599	201,051
Other operating expenses	90,293	4,342	94,635
Total non-personnel expenses	<u>2,559,367</u>	<u>145,161</u>	<u>2,704,528</u>
<b>Total Expenses</b>	<u>\$ 5,700,630</u>	<u>\$ 362,019</u>	<u>\$ 6,062,649</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, 2023**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 145,562
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	17,428
Unrealized gain on investments	(61,046)
Lease expense on right-of-use asset	(180)
(Increase) decrease in operating assets	
Accounts receivable	(72,991)
Prepaid expenses	122,032
Increase (decrease) in operating liabilities	
Accounts payable	(91,428)
Deferred revenue	700,882
<b>Net cash provided by (used in) operating activities</b>	<u>760,259</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Reinvestment of interest earnings	<u>(100,628)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(100,628)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	659,631
<b>Cash and cash equivalents - Beginning</b>	<u>1,313,182</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 1,972,813</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	<u>\$ -</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, 2023**

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**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, 2023, 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. Due to AB 130 and SB 114, the current charter petition end date is extended to June 30, 2028. 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.

**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.

**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, 2023, 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, 2023**

**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. Change in Accounting Principle**

**ASC 842 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.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Charter has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. Refer to Note 9 for additional information regarding the operating lease and the related right-of-use asset and operating lease liability held by the Charter

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2023, consists of cash in banks of \$1,972,813 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, 2023, \$1,765,776 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 one bank.

**NOTE 3 – INVESTMENTS**

The following table provides a description and sets forth, by level within the fair value hierarchy explained in Note 1N, the Charter’s investments as of June 30, 2023 are presented on the statement of financial position at the market value noted below.

	Market Value	Fair Value Classification		
		Level 1	Level 2	Level 3
Bank sweep	\$ 9,596	\$ 9,596	\$ -	\$ -
Bond funds	1,005,301	1,005,301	-	-
Equity funds	1,215,552	1,215,552	-	-
<b>Total Investments</b>	<b>\$ 2,230,449</b>	<b>\$ 2,230,449</b>	<b>\$ -</b>	<b>\$ -</b>

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 3 – INVESTMENTS (continued)**

Additionally, investments return for the year ended June 30, 2023, was as follows:

Interest and dividends	\$ 123,753
Unrealized gain/(loss)	61,046
Investment fees	<u>(18,509)</u>
<b>Net Investment Income</b>	<b><u>\$ 166,290</u></b>

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2023, consists of the following:

Local control funding sources, state aid	\$ 212,048
Federal sources	338,618
Other state sources	127,983
In lieu property tax payments	6,839
Other local sources	<u>6,033</u>
<b>Total Accounts Receivable</b>	<b><u>\$ 691,521</u></b>

**NOTE 5 – PREPAID EXPENSES**

At June 30, 2023, prepaid expenses consisted of \$25,477 relating to insurance premiums, membership and license fees for the 2023-24 school year.

**NOTE 6 – DEPOSITS**

At June 30, 2023, deposits consisted of \$86,325 for a rent security deposit paid for the lease facility at 1215 Miramar Street 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, 2023 consists of the following:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Property and equipment				
Artwork	\$ 119,350	\$ -	\$ -	\$ 119,350
Furniture and equipment	42,299	-	-	42,299
Computer equipment	22,227	-	-	22,227
Vehicles	97,616	-	-	97,616
Total property and equipment	<u>281,492</u>	<u>-</u>	<u>-</u>	<u>281,492</u>
Less accumulated depreciation	<u>(101,970)</u>	<u>(17,428)</u>	<u>-</u>	<u>(119,398)</u>
<b>Capital Assets, net</b>	<b><u>\$ 179,522</u></b>	<b><u>\$ (17,428)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 162,094</u></b>

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 8 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2023, consists of the following:

Vendor payables	\$ 139,997
Salaries and benefits	105,417
Due to grantor government	40,241
Compensated absences	23,071
<b>Total Accounts Payable</b>	<b><u>\$ 308,726</u></b>

**NOTE 9 – OPERATING LEASE**

On July 1, 2022, the Charter entered into a lease agreement to rent copier machines. The copier machines are utilized for instructional services in order to meet the goals established by the Charter. The lease agreement covers a term beginning July 1, 2022 through June 30, 2023. During the fiscal year ended June 30, 2023, the Charter paid \$4,468 in lease payments under this operating lease. At June 30, 2023, the right-of-use asset was \$4,559 and the operating lease liability was \$4,379.

The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense over the straight-line basis reduced by the implied discount rate. The Charter has accounted for its lease agreements using an implied discount rate of 4%. The associated asset and liability are amortized over the straight-line basis over the term of the lease as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease</u>
2024	<u>Payments</u>
	<u>\$ 4,468</u>
Total lease payments	4,468
NPV adjustment	(89)
<b>Total Operating Lease Liability</b>	<b><u>\$ 4,379</u></b>

**NOTE 10 – DEFERRED REVENUE**

Deferred revenue as of June 30, 2023, consists of the following:

Federal sources	\$ 275,465
State sources	1,043,303
<b>Total Deferred Revenue</b>	<b><u>\$ 1,318,768</u></b>

**NOTE 11 – NET ASSETS**

**Net Assets with Donor Restrictions**

As of June 30, 2023, the Charter's net assets with donor restrictions consist of \$93,952 in funding with restrictions relating to the Child Nutrition Program.



**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – NET ASSETS (continued)**

**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, 2023, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 162,094
Undesignated	<u>3,285,319</u>
<b>Total Net Assets without Donor Restrictions</b>	<b><u>\$ 3,447,413</u></b>

**NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Charter’s financial assets as of June 30, 2023, 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	\$ 1,972,813
Investments, at cost	2,393,884
Accounts receivable	691,521
Prepaid expenses	<u>25,477</u>
Total Financial Assets, excluding noncurrent	<u>\$ 5,083,695</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	<u>(1,412,720)</u>
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<b><u>\$ 3,670,975</u></b>

**NOTE 13 – 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. The Charter did not receive any donated items during the fiscal year ended June 30, 2023.

**NOTE 14 – 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).

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2023**

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**NOTE 14 – EMPLOYEE RETIREMENT PLANS (continued)**

**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 2022-23 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2022-23 was 19.10% 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2022-23	\$ 333,195	100%
2021-22	\$ 494,370	100%
2020-21	\$ 267,335	100%

**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 \$162,472. The on-behalf payment amount is computed as the proportionate share of total 2021-22 State on-behalf contributions.

**NOTE 15 – 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.

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 charter petition end date is extended to June 30, 2027. See Note 17 for information regarding an additional one year extension.

**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 \$41,938 and total fees for

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 15 – COMMITMENTS AND CONTINGENCIES (continued)**

special education encroachment amounted to \$159,113 for the fiscal year ended June 30, 2023. Refer to Note 9 for information regarding a facility lease agreement entered into with the District.

**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 \$2,022,401 as of June 30, 2022. Refer to Note 14 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.

**Pending or Threatened 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. The new trial date is now ongoing, but in an appeal phase. The Charter anticipates another favorable judgment.

**NOTE 16 – RELATED PARTY TRANSACTIONS**

**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 17 – SUBSEQUENT EVENTS**

Los Angeles Academy of Arts and Enterprise has evaluated subsequent events for the period from June 30, 2023 through January 18, 2024, the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add "all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year." As a result, the charter petition end date is extended to June 30, 2028.

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

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## **SUPPLEMENTARY INFORMATION**

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**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE**  
**LEA ORGANIZATION STRUCTURE**  
**JUNE 30, 2023**

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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 2022-23, the Charter served approximately 265 students in grades 6 to 12.

**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Moctesuma Esparza	Chair	June 19, 2026
Hector Orci	Vice Chair	June 19, 2026
Julio Vallejo	Secretary and Treasury	May 22, 2024
Tonantzin Esparza	Member	December 11, 2025
Norma Orci	Member	June 30, 2023
Otto Padron	Member	June 25, 2026
Victoria Castro	Member	May 22, 2024
David Calvo	Member	October 13, 2024

**ADMINISTRATION**

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David DeFrenza  
*Principal*

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 119,246
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	13,621
Title III, English Learner Student Program	84.365	14346	15,565
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	10,000
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	7,168
<b>COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1]:</b>			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	40,145
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	443,973
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425	10155	43,423
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	33,630
Subtotal Education Stabilization Fund Discretionary Grants			<u>561,171</u>
<i>Passed through Los Angeles Unified School District:</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	<u>64,016</u>
<b>Total U. S. Department of Education</b>			<u>790,787</u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	50,430
National School Lunch Program	10.555	13391	<u>148,270</u>
Subtotal Child Nutrition Cluster			<u>198,700</u>
Pandemic EBT Local Administrative Grant	10.649	15644	<u>614</u>
<b>Total U. S. Department of Agriculture</b>			<u>199,314</u>
<b>FEDERAL COMMUNICATIONS COMMISSION:</b>			
<i>Directly funded:</i>			
Emergency Connectivity Fund Program	32.009	*	<u>9,054</u>
<b>Total Federal Communications Commission</b>			<u>9,054</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through California Department of Education:</i>			
Epidemiology and Laboratory Capacity (ELC) Reopening Schools Grant	93.323	*	<u>2,519</u>
<b>Total U. S. Department of Health and Human Services</b>			<u>2,519</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,001,674</u>

[1] - Major Program

\* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE YEAR ENDED JUNE 30, 2023**

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	Second Period	
	Report	Annual Report
	Classroom-Based	
<b>Grade Span</b>		
Regular		
Sixth	21.08	21.23
Seventh through eighth	54.90	53.65
Ninth through twelfth	162.22	160.96
<b>Total Average Daily Attendance - Classroom-Based</b>	<b>238.20</b>	<b>235.84</b>
<b>Total Average Daily Attendance</b>	<b>238.20</b>	<b>235.84</b>

**The Charter had no Nonclassroom-Based ADA in 2022-23.**

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2023**

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<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2022-23 Instructional Minutes</u>	<u>2022-23 Number of Days</u>	<u>Status</u>
Grade 6	54,000	65,980	190	Complied
Grade 7	54,000	65,980	190	Complied
Grade 8	54,000	65,980	190	Complied
Grade 9	64,800	65,980	190	Complied
Grade 10	64,800	65,980	190	Complied
Grade 11	64,800	65,980	190	Complied
Grade 12	64,800	65,980	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, 2023**

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There were no adjustments to reconcile net position in Charter School Enterprise Fund per Annual Financial and Budget Report (Unaudited Actuals) to net assets per the audited financial statements for the year end ended June 30, 2023.

See accompanying notes to the supplementary information.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2023**

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**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 Average Daily Attendance**

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

**D. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Los Angeles Academy of Arts and Enterprise and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

**E. 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.

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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**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, 2023, 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 18, 2024.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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 18, 2024

**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****Opinion on 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, 2023. 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.

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, 2023.

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies internal control over compliance may exist they were not identified.

**Report on Internal Control Over Compliance (continued)**

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

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

*Christy White, Inc.*

San Diego, California  
January 18, 2024



**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

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

**Report on State Compliance****Opinion on State Compliance**

We have audited Los Angeles Academy of Arts and Enterprise's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Los Angeles Academy of Arts and Enterprise's state program-requirements for the fiscal year ended June 30, 2023.

In our opinion, Los Angeles Academy of Arts and Enterprise complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

**Basis for Opinion on State Compliance**

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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

## Auditor’s Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Los Angeles Academy of Arts and Enterprise’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Los Angeles Academy of Arts and Enterprise’s compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Los Angeles Academy of Arts and Enterprise’s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Los Angeles Academy of Arts and Enterprise’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Los Angeles Academy of Arts and Enterprise’s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Los Angeles Academy of Arts and Enterprise’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
<b>School Districts, County Offices of Education and Charter Schools</b>	
California Clean Energy Jobs Act	No*
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Transitional Kindergarten	Not applicable
<b>Charter Schools</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

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

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

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

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the K-12 Audit Guide and which are described in the accompanying schedule of findings and questioned costs as Finding 2023-001. Our opinion on state compliance is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Los Angeles Academy of Arts and Enterprise's response to the noncompliance findings identified in our audit are 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.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

*Christy White, Inc.*

San Diego, California  
January 18, 2024

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**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>	
<u>84.425</u> <u>Education Stabilization Fund Discretionary Grants</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</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>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings related to the financial statements for the year ended June 30, 2023.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2023.

**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FINDING 2023-001: AFTER SCHOOL EDUCATION AND SAFETY (ASES) PROGRAM (40000)**

**Criteria:** Education Code Section 8482.3 states that after school programs participating in the ASES program are required to submit student outcome data to the California Department of Education (CDE) which includes measurable student outcomes including attendance. As a result, ASES 2022-23 1st Half: After School Base Attendance Report (covering the period of August to December 2022) was reviewed along with supporting documentation for each school site in order to determine whether the reported number of students served is supported by written records maintained.

**Condition:** Attendance reported for Los Angeles Academy of Arts and Enterprise did not reconcile to supporting attendance counts. The attendance reported for Los Angeles Academy of Arts and Enterprise on the 1st Half: After School Base Grant Attendance Report submitted to CDE was 519 while the supporting attendance count showed 522 attendance days.

**Cause:** Reporting errors.

**Effect:** Errors were made calculating number of students served. For the attendance report submitted to the CDE for the 1st Half: After School Base, the charter reported a total number of 519 students. As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be increased to a total of 522 students served.

**Context:** An understatement of 3 students served for the ASES 2022-23 1st Half: After School Base period was noted.

**Questioned Costs:** None. The ASES program funding is not affected as long as the pupil participation level is maintained at 85% of the projected attendance or greater. Since the finding noted a net under reporting of 3 student days of attendance, program attendance did not fall below 85% of the projected attendance; therefore, there is no questioned cost.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend the Charter implement a process to accurately calculate the attendance of the After School Education and Safety (ASES) Program for reporting purposed to the California Department of Education.

**Corrective Action Plan:** Management will implement additional procedures to prevent any misreporting of attendance for the ASES program.



**LOS ANGELES ACADEMY OF ARTS AND ENTERPRISE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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This schedule presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2022.