



ANNUAL FINANCIAL REPORT
JUNE 30, 2019
LARCHMONT SCHOOLS

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Larchmont Schools
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Larchmont Schools (A California Nonprofit Public Benefit Corporation), which are comprised of the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 Larchmont Schools' 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 Larchmont Schools' 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 respective financial position of Larchmont Schools, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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, Schedule of Expenditures of Federal Awards and the accompanying supplementary 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 December 16, 2019, on our consideration of Larchmont Schools' 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 Larchmont Schools' 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 Larchmont Schools' internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Larchmont Schools	LLC	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,080,027	\$ 2,149,057	\$ 4,229,084
Accounts receivable, net	2,348,634	-	2,348,634
Prepaid expenses and other assets	220,851	-	220,851
Total Current Assets	<u>4,649,512</u>	<u>2,149,057</u>	<u>6,798,569</u>
Non-Current Assets			
Restricted Cash	-	703,610	703,610
Property and equipment, net	693,330	8,769,270	9,462,600
Total Non-Current Assets	<u>693,330</u>	<u>9,472,880</u>	<u>10,166,210</u>
Total Assets	<u>\$ 5,342,842</u>	<u>\$ 11,621,937</u>	<u>\$ 16,964,779</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 1,411,431	\$ -	\$ 1,411,431
Deferred revenue	278,773	-	278,773
Current portion of bonds payable	-	120,000	120,000
Total Non-Current Liabilities	<u>1,690,204</u>	<u>120,000</u>	<u>1,810,204</u>
Long-Term Obligations			
Bonds and notes payable, net of unamortized bond issuance costs and premium on bonds	-	11,506,152	11,506,152
Total Liabilities	<u>1,690,204</u>	<u>11,626,152</u>	<u>13,316,356</u>
Net Assets (Deficit)			
Without donor restrictions	3,595,888	(4,215)	3,591,673
With donor restrictions	56,750	-	56,750
Total Net Assets (Deficit)	<u>3,652,638</u>	<u>(4,215)</u>	<u>3,648,423</u>
Total Liabilities and Net Assets	<u>\$ 5,342,842</u>	<u>\$ 11,621,937</u>	<u>\$ 16,964,779</u>

The accompanying notes are an integral part of these financial statements.

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Larchmont Schools	LLC	Elimination	Total
Revenues				
Local Control Funding Formula	\$ 13,076,436	\$ -	\$ -	\$ 13,076,436
Federal revenue	834,791	-	-	834,791
State revenue	3,873,780	-	-	3,873,780
Local revenue	2,773,787	9,996	-	2,783,783
Rental income	-	605,931	(605,931)	-
Total Revenues	<u>20,558,794</u>	<u>615,927</u>	<u>(605,931)</u>	<u>20,568,790</u>
Expenses				
Program services	15,986,989	-	-	15,986,989
Management and general	4,209,229	620,142	(605,931)	4,223,440
Total Expenses	<u>20,196,218</u>	<u>620,142</u>	<u>(605,931)</u>	<u>20,210,429</u>
Change in Net Assets	362,576	(4,215)	-	358,361
Net Assets, Beginning of Year	<u>3,290,062</u>	<u>-</u>	<u>-</u>	<u>3,290,062</u>
Net Assets (Deficit), End of Year	<u>\$ 3,652,638</u>	<u>\$ (4,215)</u>	<u>\$ -</u>	<u>\$ 3,648,423</u>

The accompanying notes are an integral part of these financial statements.

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Larchmont Schools	LLC	Elimination	Total
Cash Flows from Operating Activities				
Change in net assets	\$ 362,576	\$ (4,215)	\$ -	\$ 358,361
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities				
Depreciation expense	96,864	182,481	-	279,345
Amounts restricted for bond obligation stipulations		(703,610)		(703,610)
Changes in operating assets and liabilities				
Accounts receivable	(1,159,154)	-	-	(1,159,154)
Prepaid expenses and other assets	(10,083)	-	-	(10,083)
Accounts payable	394,060	-	-	394,060
Deferred revenue	(480,087)	-	-	(480,087)
Net cash used for Operating Activities	<u>(795,824)</u>	<u>(525,344)</u>	<u>-</u>	<u>(1,321,168)</u>
Cash Flows From Investing Activities				
Proceeds from sale of property and equipment	1,020,014	-	(1,020,014)	-
Purchases of property and equipment	-	(8,951,751)	1,020,014	(7,931,737)
Net Cash provided by (used for) Investing Activities	<u>1,020,014</u>	<u>(8,951,751)</u>	<u>-</u>	<u>(7,931,737)</u>
Cash Flows From Financing Activities				
Loan payment	(1,010,532)	-	-	(1,010,532)
Proceeds from bond issuance	-	12,192,195	-	12,192,195
Cost incurred for Financing Authority		(566,043)		(566,043)
Net Cash provided by (used for) Financing Activities	<u>(1,010,532)</u>	<u>11,626,152</u>	<u>-</u>	<u>10,615,620</u>
Net Change in Cash	(786,342)	2,149,057	-	1,362,715
Cash, Beginning of Year	2,866,369	-	-	2,866,369
Cash, End of Year	<u>\$ 2,080,027</u>	<u>\$ 2,149,057</u>	<u>\$ -</u>	<u>\$ 4,229,084</u>
Supplemental Disclosure of Cash Flow Information				
Cash paid during the period for interest	<u>\$ 17,991</u>	<u>\$ 426,909</u>	<u>\$ -</u>	<u>\$ 444,900</u>

The accompanying notes are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Larchmont Schools			LLC		Total
	Program Services	Management and General	Subtotal Expenses	Management and General	Elimination	
Personnel						
Salaries and wages	\$ 8,563,699	\$ 2,088,469	\$ 10,652,168	\$ -	\$ -	\$ 10,652,168
Employee benefits	1,077,498	266,425	1,343,923	-	-	1,343,923
Payroll taxes	2,360,092	308,745	2,668,837	-	-	2,668,837
Total Personnel	<u>12,001,289</u>	<u>2,663,639</u>	<u>14,664,928</u>	<u>-</u>	<u>-</u>	<u>14,664,928</u>
Operating						
Fees for services	893,872	354,326	1,248,198	-	-	1,248,198
Advertising and promotions	-	12,635	12,635	-	-	12,635
Office expenses	-	58,948	58,948	-	-	58,948
Information technology	-	36,670	36,670	-	-	36,670
Occupancy	1,294,508	315,698	1,610,206	-	(605,931)	1,004,275
Travel	-	107,365	107,365	-	-	107,365
Interest	-	17,991	17,991	426,909	-	444,900
Depreciation	96,864	-	96,864	193,233	-	290,097
Insurance	-	123,543	123,543	-	-	123,543
Other expenses	443,304	387,574	830,878	-	-	830,878
Capital outlay	315,287	-	315,287	-	-	315,287
Special Education Local Plan						
Area fees	237,780	-	237,780	-	-	237,780
Instructional materials	369,026	-	369,026	-	-	369,026
Nutrition	335,059	-	335,059	-	-	335,059
District oversight fees	-	130,840	130,840	-	-	130,840
Total Operating	<u>3,985,700</u>	<u>1,545,590</u>	<u>5,531,290</u>	<u>620,142</u>	<u>(605,931)</u>	<u>5,545,501</u>
Total Functional Expenses	<u>\$ 15,986,989</u>	<u>\$ 4,209,229</u>	<u>\$ 20,196,218</u>	<u>\$ 620,142</u>	<u>\$ (605,931)</u>	<u>\$ 20,210,429</u>

The accompanying notes are an integral part of these financial statements.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Larchmont Schools

Charter School number authorized by the State: 0717

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

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

Larchmont Charter School opened in September 2005, and serves approximately 1,514 students in kindergarten through grade twelve at four campuses in Southern California:

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

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

Selma Campus: 6611 Selma Avenue, Los Angeles, California

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

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

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

Other Related Entities

Larchmont Charter School Support Corporation

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

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Larchmont LFP LLC

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Charter School and a related party, the LLC. All material intercompany transactions have been eliminated (Eliminations). The Designator is the sole member of the LLC. The Designator has no activity, therefore, the LLC's activity will be presented throughout. The LLC leases the facilities to Larchmont Schools for use as one of its campus locations. Since this support is closely aligned with Larchmont Schools and they are financially inter-related, the LLC's financial information is consolidated with Larchmont School's financial statement. This combination is required due to common control with shared leadership and management. For disclosure purposes, the financial information of the two entities are separated within the report as a matter of clarification. The Charter School and LCC are collectively referred to herein as the "Consolidated Entity".

Cash and Cash Equivalents

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

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, there was no provision for the allowance for uncollectible receivables.

Prepaid Expenses/Security Deposit

Prepaid expenses represent amounts paid in advance of receiving goods or services. Larchmont Schools has reported prepaid items either when purchased or during the benefiting period. Security deposits represent amounts paid per the rental agreement of facilities that will not be returned within one year and are recorded as non-current assets.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining

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gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Charter School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Charter School's policy is to designate donor gifts without restriction at the discretion of the board of directors. The board of directors has not designated net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of June 30, 2019, the Consolidated Entity has \$56,750 in net assets with donor restrictions.

Revenue Recognition

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Charter School receives federal grants, which are paid through the California Department of Education or other state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Charter School's Federal and State contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30,

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2019, there were no conditional contributions, for which amounts had been received in advance, that have not been recognized in the accompanying consolidated financial statements.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method. Debt issuance costs are included within long-term debt in the consolidated statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements. Management has determined that the straight-line method is a reasonable estimate of the effective interest method.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

The Consolidated Entity are each qualified as non-profit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these consolidated financial statements. The Consolidated Entity are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Corporation and LLC are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Consolidated Entity determined that it is subject to unrelated business income tax and will file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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The Consolidated Entity has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the consolidated financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Consolidated Entity to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Recent Accounting Pronouncements

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

The ASU is effective for the Consolidated Entity for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Policy

FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the Consolidated Entity in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Consolidated Entity has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

As of July 1, 2018, the Consolidated Entity adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Consolidated Entity's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Consolidated Entity's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Consolidated Entity's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function

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and natural classification in a single location and to present investment returns on the statement of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative consolidated financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Consolidated Entity has elected not to present comparative information for these amendments.

The Consolidated Entity has adopted this standard as management believes the standard improves the usefulness and understandability of the Consolidated Entity's financial reporting.

Adjustments Resulting from Change in Accounting Policy

As disclosed above, the Charter School adopted the provisions of ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Charter School's June 30, 2018 financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 3,290,062	\$ (3,290,062)	\$ -
Net assets without donor restrictions	-	3,290,062	3,290,062

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

	Larchmont Schools	LLC	Total
Financial Assets:			
Cash and cash equivalents	\$ 2,080,027	\$ 2,149,057	\$ 4,229,084
Accounts receivable	2,348,634	-	2,348,634
Prepaid expenses and other assets	220,851	-	220,851
Financial Assets, at year end	<u>4,649,512</u>	<u>2,149,057</u>	<u>6,798,569</u>
Less those unavailable for general expenditures within one year, due to:			
Donor-imposed restrictions:	<u>(56,750)</u>	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,592,762</u>	<u>\$ 2,149,057</u>	<u>\$ 6,798,569</u>

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - CASH

Cash at June 30, 2019, consisted of the following:

	Reported Amount		
	Larchmont Schools	LLC	Total
Deposits			
Cash on hand and in banks	\$ 2,080,027	\$ 2,149,057	\$ 4,229,084

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter Schools maintain its cash in bank deposit accounts that at times may exceed federally insured limits. The Charter Schools have not experienced any losses in such accounts. At June 30, 2019, the Charter School and the LLC had a combined balance of \$1,817,012 in excess of FDIC insured limits. Management believes that the Charter School is not exposed to any significant risk related to cash.

NOTE 4 – RESTRICTED CASH

Restricted cash at June 30, 2019, consisted of the following:

	Reported Amount	
	LLC	Bank Balance
Deposits		
Cash on hand and in banks	\$ 703,610	\$ 701,250

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

	Larchmont Schools
Local Control Funding Formula	\$ 687,758
Federal receivables	105,778
State receivables	1,396,994
Lottery	153,286
Local receivables	4,818
	<u>\$ 2,348,634</u>

NOTE 6 - PREPAID EXPENSES, OTHER ASSETS, AND SECURITY DEPOSITS

Prepaid expenses and other assets at June 30, 2019, consisted of the following:

	Larchmont Schools
Insurance and miscellaneous vendors	\$ 191,101
Security deposits	29,750
	<u>\$ 220,851</u>

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, consisted of the following:

	Larchmont Schools	LLC	Total
Land	\$ -	\$ 1,590,507	\$ 1,590,507
Building and improvements	936,298	7,361,244	8,297,542
Furniture and equipment	424,082	-	424,082
Work in progress	197,144	-	197,144
Subtotal	<u>1,557,524</u>	<u>8,951,751</u>	<u>10,509,275</u>
Less: accumulated depreciation	(864,194)	(182,481)	(1,046,675)
Total Property and Equipment	<u>\$ 693,330</u>	<u>\$ 8,769,270</u>	<u>\$ 9,462,600</u>

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED VACATION

Accounts payable and accrued vacation at June 30, 2019, consisted of the following:

	Larchmont Schools
Salaries and benefits	\$ 512,495
Due to grantor	86,606
Accrued vacation	92,274
Vendor payable	720,056
	<u>\$ 1,411,431</u>

NOTE 9 - DEFERRED REVENUE

Deferred revenue at June 30, 2019, consisted of the following:

	Larchmont Schools
Deferred rent expense	\$ 151,554
Other Local	127,219
	<u>\$ 278,773</u>

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	Larchmont Schools
Subject to expenditure for specified purpose	
Capital campaign for future projects	\$ 56,750

NOTE 11 - LONG-TERM OBLIGATIONS

On May 1, 2013, Larchmont Schools obtained a term loan with Pacific Western Bank in the amount of \$1,300,000. The note has an interest rate of 7.0 percent with a maturity date through November 2020. As of June 30, 2019, the outstanding balance has been paid off with the issuance of the bond proceeds, noted below.

Bonds Summary

Charter School Lease Revenue Bonds, Series 2019A

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

\$ 11,305,000

Charter School Lease Revenue Bonds, Series 2019B

On August 17, 2018 the LLC issued \$330,000 in Charter School Lease Revenue Bonds, Series 2019A. The bonds mature on June 1, 2055, with an nterest rate of 5.00 percent. Proceeds of the bonds will be used to finance certain costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of a charter school facility known as Larchmont Charter School - La Fayette Park Campus. At June 30, 2019 a principal payment of \$90,000 was made.

240,000

Subtotal bonds outstanding 11,545,000

Premiums on Charter School Lease Revenue Bonds, Series 2019A 544,560

Unamortized bond issuance costs on Charter School Lease Revenue Bonds,
Series 2019A and B (463,408)

Total net of unamortized bond issuance costs
and premium on bonds \$ 11,626,152

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Future maturities of bonds payable are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 120,000	\$ 577,250	\$ 697,250
2021	130,000	571,250	701,250
2022	135,000	564,750	699,750
2023	140,000	558,000	698,000
2024	145,000	551,000	696,000
2025-2029	850,000	2,637,750	3,487,750
2030-2034	1,080,000	2,403,750	3,483,750
2035-2039	1,385,000	2,104,500	3,489,500
2040-2044	1,765,000	1,722,250	3,487,250
2045-2049	2,255,000	1,233,750	3,488,750
2050-2054	2,875,000	611,500	3,486,500
2055	665,000	33,250	698,250
Subtotal	11,545,000	13,569,000	25,114,000
Plus premium, net	544,560	-	544,560
Less unamortized bond issuance cost	(463,408)	-	(463,408)
Total	<u>\$ 11,626,152</u>	<u>\$ 13,569,000</u>	<u>\$ 25,195,152</u>

NOTE 12 – FACILITIES USE AGREEMENT

On April 25, 2005, Larchmont Schools entered into a lease agreement with Archdiocese of Los Angeles Education and Welfare Corporation for the benefit of St. Ambrose Parish located at 1265 N. Fairfax Avenue, Los Angeles. An additional amendment was made on April 20, 2018, commencing September 1, 2020, and extended through August 31, 2030. The lease expense for the 2018-2019 fiscal year was \$289,435.

Future payments are scheduled as follows:

Fiscal Year Ended June 30,	Payments
2020	\$ 283,741
2021	288,856
2022	297,522
2023	306,447
2024	315,641
Thereafter	2,102,947
Total	<u>\$ 3,595,154</u>

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Larchmont Schools entered into an agreement on May 5, 2006, with Eastfield Ming Quong, Inc. DBA EMQ Families First for its campus location at 815 North El Centro Avenue, Los Angeles. An amendment was made in April 2017, in which the amount of rent due is \$2.24 per square foot. An additional amendment was made commencing August 1, 2017, and extended through July 31, 2020. The lease expense for fiscal year 2018-2019 was \$417,101.

Future payments are scheduled as follows:

Fiscal Year Ended	Payments
<u>June 30,</u>	
2020	\$ 426,224
2021	35,582
Total	<u>\$ 461,806</u>

During the 2018-2019 fiscal year, Larchmont Schools entered into a lease agreement with the LLC in which the Larchmont Schools will occupy the premises located 2801 West 6th Street, Los Angeles, for its campus location. The term of this agreement commencing September 20, 2018 and ending June 30, 2048. The lease expense for 2018-2019 was \$605,931.

Future payments are scheduled as follows:

Fiscal Year Ended	Payments
<u>June 30,</u>	
2020	\$ 719,103
2021	722,589
2022	707,154
2023	702,588
2024	700,962
Thereafter	16,843,247
Total	<u>\$ 20,395,644</u>

Larchmont Schools renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating the educational programs and related activities. The property is located at 6611 Selma Ave. Los Angeles, CA 90028 (Selma Elementary School). The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2019, was \$167,773.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

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

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

Larchmont Schools contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018, total actuarial value of assets are \$190.4 billion, the actuarial obligation is \$297.6 billion, contributions from all employers totaled \$4.7 billion, and the plan is 64.0 percent funded.

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

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and Larchmont Schools' total contributions were \$1,266,256.

403(b) Tax Deferred Annuity Plan

The Charter Schools also contribute to a classified employee 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,084,249 (9.828 percent of salaries subject to CalSTRS). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements.

NOTE 14 - CONTINGENCIES

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

Litigation

As of June 30, 2019, Larchmont Schools are not a party to any legal proceedings.

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITY

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

CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and Larchmont Schools are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, Larchmont Schools made a payment of \$104,206 to CharterSAFE for services received.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16 - SUBSEQUENT EVENTS

Larchmont Schools' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 16, 2019, which is the date the financial statements were available to be issued.

In August 2019, Larchmont Schools renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating the educational programs and related activities. The property is located at 6611 Selma Ave. Los Angeles, CA 90028 (Selma Elementary School). The terms of this agreement is renewed annually and include rental fees shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2020, will be \$237,931.



SUPPLEMENTARY INFORMATION

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	\$ 214,429
Total Child Nutrition Cluster			<u>214,429</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through CDE:			
Elementary and Secondary Education Act (ESSA)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	242,489
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	40,964
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	11,002
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15391	13,722
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	300,650
Total Special Education (IDEA) Cluster			<u>300,650</u>
State Charter School Facilities Incentive Grants	84.242D	[1]	11,535
Total U.S. Department of Education			<u>620,362</u>
Total Expenditures of Federal Awards			<u>\$ 834,791</u>

[1] Pass-Through Entity Identifying Number not available

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019**

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ali Baird	Chair	June 4, 2021
Jesse Noonan	Vice Chair	June 19, 2020
Frances Hoge	Secretary	June 19, 2020
Jeremy George	Treasurer	June 19, 2020
Ben Howell	Member	February 6, 2020
Gabi Loeb	Member	June 30, 2019
Mario Perez	Member	February 6, 2020
Sheryl Rosenberg	Member	February 6, 2020
Scott Thomas	Member	February 6, 2020
Robin Zucker	Member	February 6, 2020
Jennifer Berry	Member	February 5, 2021
Rebecca Hutchinson	Member	January 15, 2021
Skye-Ephifanie Patrick	Member	February 5, 2021
Collette Williams Alleyen	Member	February 5, 2021

See accompanying note to supplementary information.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE, Continued
JUNE 30, 2019**

ADMINISTRATION

Amy Held	Executive Director
Kelly Bartle	Director, La Fayette Park Campus
Alissa Chariton and Eva Orozco	Co-Principals, Hollygrove Campus
Mersedeh Emrani	Principal, Fairfax Campus
Ginnia Hargins	Principal, Selma Campus
Mike Kang	Director, La Fayette Park Campus

See accompanying note to supplementary information.

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

Larchmont Schools

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	457.38	458.00
Fourth through sixth	357.06	356.31
Seventh and eighth	218.18	217.77
Ninth through twelfth	413.95	412.22
Total Regular ADA	<u>1,446.57</u>	<u>1,444.30</u>
Classroom based ADA		
Transitional kindergarten through third	449.38	450.40
Fourth through sixth	353.66	353.23
Seventh and eighth	217.68	216.93
Ninth through twelfth	413.48	411.78
Total Classroom based ADA	<u>1,434.20</u>	<u>1,432.34</u>
Extended Year Special Education		
Transitional kindergarten through third	0.35	0.35
Fourth through sixth	0.37	0.37
Seventh and eighth	0.07	0.07
Ninth through twelfth	0.61	0.61
Total Extended Year Special Education ADA	<u>1.40</u>	<u>1.40</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.23	0.36
Total Classroom based ADA	<u>1,435.83</u>	<u>1,433.74</u>

Larchmont Schools operated a short-term non-classroom based instruction program.

See accompanying note to supplementary information.

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Larchmont Schools

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	58,160	176	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,430	176	N/A	Complied
Grade 2		55,430	176	N/A	Complied
Grade 3		55,430	176	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,430	176	N/A	Complied
Grade 5		62,760	176	N/A	Complied
Grade 6		63,300	176	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		65,810	176	N/A	Complied
Grade 8		65,810	176	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,295	176	N/A	Complied
Grade 10		66,295	176	N/A	Complied
Grade 11		66,295	176	N/A	Complied
Grade 12		66,295	176	N/A	Complied

See accompanying note to supplementary information.

LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Summarized below is the reconciliation between the Unaudited Actual Financial Statements and the audited financial statements.

Net Assets	
Net Assets, June 30, 2019, Unaudited Actuals	\$ 3,614,524
Increase (Decrease) in:	
Cash	(770)
Accounts receivable, net	55,452
Prepaid expenses and other assets	(6,155)
Property and equipment, net	184,831
(Increase) in:	
Accounts payable	<u>(195,244)</u>
Net Assets, June 30, 2019,	
Audited Financial Statement	<u>\$ 3,652,638</u>

See accompanying note to supplementary information.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Larchmont Schools 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. Larchmont Schools has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

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

Larchmont Schools must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.



INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Larchmont Schools
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Larchmont Schools which comprise the statement of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Larchmont Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Larchmont Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Larchmont Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Larchmont Schools' 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 Larchmont Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Larchmont Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Larchmont Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
December 16, 2019



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

Governing Board
Larchmont Schools
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Larchmont Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Larchmont Schools' major Federal programs for the year ended June 30, 2019. Larchmont Schools' 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 the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Larchmont Schools' 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 Larchmont Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Larchmont Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Larchmont Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Larchmont Schools 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 Larchmont Schools' 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 Larchmont Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Larchmont Schools
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited Larchmont Schools' compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of Larchmont Schools' State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of Larchmont Schools' State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Larchmont Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Larchmont Schools' compliance with those requirements.

Unmodified Opinion

In our opinion, Larchmont Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

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

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

Larchmont Schools does not operate a before or after school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

Larchmont Schools does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

Eide Bailly LLP

Rancho Cucamonga, California
December 16, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance ?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.027</u>	<u>Special Education (IDEA) Cluster</u>

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

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

**LARCHMONT SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no audit findings reported in the prior year's schedule of financial statement findings.