



Annual Financial Report
June 30, 2019

New Los Angeles Charter School
New Los Angeles Middle School
Charter (No. 0998)
New Los Angeles Elementary School
Charter (No. 1788)

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
New Los Angeles Charter School
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of New Los Angeles Charter School (A California Nonprofit Public Benefit Corporation) (the Corporation) and 5301 Washington, LLC (A California Limited Liability Company) (the LLC), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 the Corporation and the LLC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and the LLC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation and the LLC, as of June 30, 2019, and the respective changes in financial position and 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 as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic 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 13, 2019, on our consideration of the Corporation and the LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation and the LLC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation and the LLC's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
December 13, 2019

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Charter Middle School	Charter Elementary School	Home Office
ASSETS			
Current Assets			
Cash	\$ 1,013,854	\$ 360,026	\$ 85,468
Accounts receivable	541,219	281,513	-
Inter-company receivable	601,105	4,862	275,915
Prepaid expenses	77,182	24,203	1,880
Total Current Assets	<u>2,233,360</u>	<u>670,604</u>	<u>363,263</u>
Non-Current Assets			
Security Deposit	-	-	-
Fixed assets	103,921	11,701	3,720
Less: accumulated depreciation	(57,661)	(5,302)	-
Total Non-Current Assets	<u>46,260</u>	<u>6,399</u>	<u>3,720</u>
Total Assets	<u>\$ 2,279,620</u>	<u>\$ 677,003</u>	<u>\$ 366,983</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 130,299	\$ 40,209	\$ 5,339
Inter-company payable	311,006	116,791	283,895
Current portion of long-term obligations	-	-	-
Total Current Liabilities	<u>441,305</u>	<u>157,000</u>	<u>289,234</u>
Long-Term Obligations			
Non-current portion of long-term obligations	-	-	-
Total Liabilities	<u>441,305</u>	<u>157,000</u>	<u>289,234</u>
NET ASSETS			
Without donor restriction - Designated	17,784	1,141	-
Without donor restriction	1,820,531	518,862	77,749
Total Net Assets	<u>1,838,315</u>	<u>520,003</u>	<u>77,749</u>
Total Liabilities and Net Assets	<u>\$ 2,279,620</u>	<u>\$ 677,003</u>	<u>\$ 366,983</u>

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

LLC	Elimination	Total
\$ 77,045	\$ -	\$ 1,536,393
-	-	822,732
32,729	(914,611)	-
-	-	103,265
<u>109,774</u>	<u>(914,611)</u>	<u>2,462,390</u>
63,744	-	63,744
3,406,339	-	3,525,681
(1,480,233)	-	(1,543,196)
<u>1,989,850</u>	<u>-</u>	<u>2,046,229</u>
<u>\$ 2,099,624</u>	<u>\$ (914,611)</u>	<u>\$ 4,508,619</u>
\$ -	\$ -	\$ 175,847
202,919	(914,611)	-
144,116	-	144,116
<u>347,035</u>	<u>(914,611)</u>	<u>319,963</u>
1,642,878	-	1,642,878
<u>1,989,913</u>	<u>(914,611)</u>	<u>1,962,841</u>
-	-	18,925
109,711	-	2,526,853
<u>109,711</u>	<u>-</u>	<u>2,545,778</u>
<u>\$ 2,099,624</u>	<u>\$ (914,611)</u>	<u>\$ 4,508,619</u>

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Charter Middle School	Charter Elementary School	Home Office
REVENUES			
Local Control Funding Formula	\$ 3,097,178	\$ 2,036,677	\$ -
Federal revenue	330,492	190,102	-
Other State revenue	1,009,401	413,946	-
Local revenues	105,727	20,653	415,671
Total Revenue	<u>4,542,798</u>	<u>2,661,378</u>	<u>415,671</u>
EXPENSES			
Program services	3,405,947	2,365,333	348,838
Management and general	1,707,118	295,140	34,095
Total Expenses	<u>5,113,065</u>	<u>2,660,473</u>	<u>382,933</u>
CHANGE IN UNRESTRICTED NET ASSETS	(570,267)	905	32,738
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>2,408,582</u>	<u>519,098</u>	<u>45,011</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,838,315</u></u>	<u><u>\$ 520,003</u></u>	<u><u>\$ 77,749</u></u>

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

LLC	Elimination	Total
\$ -	\$ -	\$ 5,133,855
-	-	520,594
-	-	1,423,347
1,844,001	(897,309)	1,488,743
<u>1,844,001</u>	<u>(897,309)</u>	<u>8,566,539</u>
426,792	(486,538)	6,060,372
165,790	(410,771)	1,791,372
<u>592,582</u>	<u>(897,309)</u>	<u>7,851,744</u>
1,251,419	-	714,795
(1,141,708)	-	1,830,983
<u>\$ 109,711</u>	<u>\$ -</u>	<u>\$ 2,545,778</u>

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

	Charter Middle School	Charter Elementary School	Home Office
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in unrestricted net assets	\$ (570,267)	\$ 905	\$ 32,738
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities			
Depreciation expense	12,035	2,340	-
Changes in operating assets and liabilities			
Decrease (Increase) in accounts receivable	(208,136)	61,805	-
Increase in intercompany receivable	(42,140)	127,975	(268,044)
Decrease in prepaid expenditures	52,648	2,564	689
Increase (Decrease) in accounts payable	13,517	(86,047)	5,339
(Decrease) Increase in intercompany accounts payable	178,169	(247,126)	283,895
Net Cash Provided (Used) by Operating Activities	<u>(564,174)</u>	<u>(137,584)</u>	<u>54,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures, net	(15,490)	-	(3,720)
Forgiveness of loan receivable	770,000	-	-
Net Cash Provided (Used) by Investing Activities	<u>754,510</u>	<u>-</u>	<u>(3,720)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds	-	-	-
Loan principal payments	-	-	-
Forgiveness of Loan	-	-	-
Repayment of debt and other	-	-	-
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	190,336	(137,584)	50,897
CASH, BEGINNING OF YEAR	823,518	497,610	34,571
CASH, END OF YEAR	<u>\$ 1,013,854</u>	<u>\$ 360,026</u>	<u>\$ 85,468</u>
Supplemental cash flow disclosure:			
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

LLC	Elimination	Total
\$ 1,251,419	\$ -	\$ 714,795
171,206	-	185,581
120,000	-	(26,331)
(32,729)	214,938	-
-	-	55,901
(20)	-	(67,211)
-	(214,938)	-
<u>1,509,876</u>	<u>-</u>	<u>862,735</u>
-	-	(19,210)
-	-	770,000
<u>-</u>	<u>-</u>	<u>750,790</u>
1,889,207	-	1,889,207
(124,895)	-	(124,895)
(770,000)	-	(770,000)
<u>(2,477,974)</u>	<u>-</u>	<u>(2,477,974)</u>
<u>(1,483,662)</u>	<u>-</u>	<u>(1,483,662)</u>
26,214	-	129,863
50,831	-	1,406,530
<u>\$ 77,045</u>	<u>\$ -</u>	<u>\$ 1,536,393</u>
<u>\$ 116,868</u>	<u>\$ -</u>	<u>\$ 116,868</u>

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

	Charter Middle School			Charter Elementary School		
	Program Services	Management and General	Subtotal Expenses	Program Services	Management and General	Subtotal Expenses
Personnel						
Salaries	\$ 1,538,918	\$ 162,696	\$ 1,701,614	\$ 1,301,503	\$ 75,674	\$ 1,377,177
Employee benefits	149,905	16,545	166,450	103,984	6,046	110,030
Payroll taxes	439,332	12,435	451,767	294,787	5,538	300,325
Total Personnel	<u>2,128,155</u>	<u>191,676</u>	<u>2,319,831</u>	<u>1,700,274</u>	<u>87,258</u>	<u>1,787,532</u>
Operating						
Fees for services	342,503	173,622	516,125	268,174	106,277	374,451
Advertising and promotions	-	775	775	-	1,135	1,135
Office expenses	-	15,467	15,467	-	12,443	12,443
Information technology	-	12,478	12,478	-	6,590	6,590
Occupancy	536,429	56,712	593,141	116,006	6,745	122,751
Travel	-	11,561	11,561	-	4,504	4,504
Interest	-	-	-	-	-	-
Depreciation	12,035	-	12,035	2,340	-	2,340
Insurance	-	21,725	21,725	-	14,483	14,483
Other expenses	77,217	1,192,190	1,269,407	68,872	35,338	104,210
Capital outlay	86,393	-	86,393	38,683	-	38,683
Special education	49,375	-	49,375	30,439	-	30,439
Instructional materials	52,286	-	52,286	43,898	-	43,898
Nutrition	121,554	-	121,554	96,647	-	96,647
District oversight fee	-	30,912	30,912	-	20,367	20,367
Total Operating	<u>1,277,792</u>	<u>1,515,442</u>	<u>2,793,234</u>	<u>665,059</u>	<u>207,882</u>	<u>872,941</u>
Total Functional Expenses	<u>\$ 3,405,947</u>	<u>\$ 1,707,118</u>	<u>\$ 5,113,065</u>	<u>\$ 2,365,333</u>	<u>\$ 295,140</u>	<u>\$ 2,660,473</u>

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

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

Program Services	Home Office		Program Services	LLC		Elimination	Total
	Management and General	Subtotal Expenses		Management and General	Subtotal Expenses		
\$ 281,146	\$ -	\$ 281,146	\$ -	\$ -	\$ -	\$ -	\$ 3,359,937
31,948	-	31,948	-	-	-	-	308,428
20,553	-	20,553	-	-	-	-	772,645
<u>333,647</u>	<u>-</u>	<u>333,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,441,010</u>
-	26,519	26,519	-	43,757	43,757	-	960,852
-	750	750	-	-	-	-	2,660
-	146	146	-	-	-	-	28,056
-	-	-	-	-	-	-	19,068
800	-	800	255,586	-	255,586	(537,975)	434,303
-	2,462	2,462	-	-	-	-	18,527
-	-	-	-	116,868	116,868	-	116,868
-	-	-	171,206	-	171,206	-	185,581
-	2,172	2,172	-	-	-	-	38,380
14,256	2,046	16,302	-	5,165	5,165	(359,334)	1,035,750
135	-	135	-	-	-	-	125,211
-	-	-	-	-	-	-	79,814
-	-	-	-	-	-	-	96,184
-	-	-	-	-	-	-	218,201
-	-	-	-	-	-	-	51,279
<u>15,191</u>	<u>34,095</u>	<u>49,286</u>	<u>426,792</u>	<u>165,790</u>	<u>592,582</u>	<u>(897,309)</u>	<u>3,410,734</u>
<u>\$ 348,838</u>	<u>\$ 34,095</u>	<u>\$ 382,933</u>	<u>\$ 426,792</u>	<u>\$ 165,790</u>	<u>\$ 592,582</u>	<u>\$ (897,309)</u>	<u>\$ 7,851,744</u>

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

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

New Los Angeles Charter School

The New Los Angeles Charter School (the Corporation) is a non-profit public benefit corporation. The Corporation develops a diverse community of students who are passionate about learning, engaged in their community, and have respect for themselves and others. The aim of the Corporation is to cultivate future civic leaders through rigorous project-based learning and hands-on commitment to social justice; teaching students skills that will enable them to thrive and which will ensure advanced academic success.

Home Office

Administrative support provided to the individual schools and accounted for separately with the financial statements using an allocation based on student enrollment.

New Los Angeles Charter Middle School

In September 2008, New Los Angeles Charter Middle School (the Charter Middle School) welcomed its first students. The Charter Middle School petitioned through Los Angeles Unified School District for a charter and was approved by the California Department of Education on April 22, 2008, and renewed in 2018, for a period of five years ending in 2023.

Charter School number authorized by the State: 0998

The Charter Middle School, located at 1919 S. Burnside Avenue, Los Angeles, California, opened in August 2008, and currently serves 310 students in grades six through eight.

New Los Angeles Charter Elementary School

In August 2016, New Los Angeles Charter Elementary School (the Charter Elementary School) welcomed its first students. The Charter Elementary School petitioned through Los Angeles Unified School District for a charter and was approved by the California Department of Education on October 13, 2015, for a period of five years ending in 2021.

Charter School number authorized by the State: 1788

The Charter Elementary School, located at 5421 Rodeo Road, Los Angeles, California, opened in August 2016, and currently serves 197 students in grades kindergarten through third.

**NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)**

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

Other Related Entities

5301 Washington, LLC

The Charter Middle School subleases its facilities from 5301 Washington LLC (the LLC); the sole member of the LLC is New Vision Properties, Inc. (NVP), a California nonprofit public benefit corporation. The primary purposes of NVP and the LLC are to facilitate the development of charter schools; to lease, own, manage, and maintain an educational institution; to provide charter school facilities and operational and other support to 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 NVP and the LLC may engage in any activities that are reasonably related to or in furtherance of NVP and the LLC's stated charitable and public purposes, or in any other charitable activities. NVP and the LLC are separate legal entities from the Charter Middle School and neither NVP nor the LLC have ownership interest. NVP and the LLC are reported in the financial statements as part of the Charter Middle School and the LLC's operations because the Charter Middle School Board appoints the Board of the LLC.

Joint Powers Agency and Risk Management Pools - The Corporation is associated with the California Corporation Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Corporation. Additional information is presented in Note 13 to the financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Home Office, the Charter Elementary School, and the Charter Middle School, because they are divisions of Corporation and the LLC because they are related entities. All significant intracompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements include the accounts of the Corporation and a related party, the LLC, a California nonprofit public benefit corporations formed to provide support to the Corporation, and its charter Schools. All material intercompany transactions have been eliminated (Eliminations). As a part of its mission, the NVP has created a limited liability company that owns real estate for educational purposes. The LLC leases the Middle School facility to the Corporation for use by the school. Since this support is closely aligned with the Corporation and they are financially inter-related, the LLC financial information is consolidated with the Corporation audit. This consolidation 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.

Cash

The Corporation 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.

**NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)**

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

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, allowance for bad debts had not been established.

Prepaid Expenses/Security Deposit

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Corporation 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 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 are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Corporation reviews the carrying values of fixed assets 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 With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily 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. Corporation 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 statements of activities as net assets released from restrictions.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Net Assets Without Donor Restriction – Designated

Designations of the ending net assets indicated tentative plans for financial resource utilization in a future period. As of June 30, 2019, the Corporation had \$18,925 in designations related to block grants.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Charter Elementary School and the Charter Middle School, (the Charter Schools) are derived principally from state and federal sources. The Charter Schools receive state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Charter Schools receive 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 are not recognized until the conditions on which they depend have been substantially met.

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 providing the various program and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report 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.

**NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)**

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

Income Taxes

The Corporation and the LLC are not-for-profit public benefit corporations that are 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 financial statements. Income tax returns for 2015 and forward may be audited by regulatory agencies; however, the Corporation and the LLC are not aware of any such actions at this time.

The Corporation and the LLC have 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 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 financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Corporation 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

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

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

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Change in Accounting Principle

As of July 1, 2018, the Corporation 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 Corporation'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 Corporation's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Corporation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative 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 Corporation has elected not to present comparative information for these amendments.

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

Adjustments Resulting from Change in Accounting Policy

As disclosed above, the Corporation 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 Corporation's June 30, 2018, financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
The Corporation			
Unrestricted - designated	\$ 900	\$ (900)	\$ -
Unrestricted	2,971,785	(2,971,785)	-
Net assets without donor restrictions - Designated	-	900	900
Net assets without donor restrictions	-	2,971,785	2,971,785
	<u>\$ 2,972,685</u>	<u>\$ -</u>	<u>\$ 2,972,685</u>
LLC			
Unrestricted (Deficit)	\$ (1,141,708)	\$ 1,141,708	\$ -
Net assets without donor restrictions	-	(1,141,708)	(1,141,708)
	<u>\$ (1,141,708)</u>	<u>\$ -</u>	<u>\$ (1,141,708)</u>

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	Charter Middle School	Charter Elementary School	Home Office	LLC
Financial Assets:				
Cash and cash equivalents	\$ 1,013,854	\$ 360,026	\$ 85,468	\$ 77,045
Accounts receivable	541,219	281,513	-	-
Prepaid and other assets	77,182	24,203	1,880	-
Financial Assets, at year-end	<u>1,632,255</u>	<u>665,742</u>	<u>87,348</u>	<u>77,045</u>
Less those unavailable for general expenditures within one year, due to:				
Board designations:				
Classified employee block grant	-	(1,141)	-	-
Low performing student block grant	(17,784)	-	-	-
	<u>(17,784)</u>	<u>(1,141)</u>	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,614,471</u>	<u>\$ 664,601</u>	<u>\$ 87,348</u>	<u>\$ 77,045</u>

NOTE 3 - CASH

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

	Reported Amount					
	Charter Middle School	Charter Elementary School	Home Office	LLC	Total	Bank Balance
Deposits						
Cash on hand and in banks	<u>\$ 1,013,854</u>	<u>\$ 360,026</u>	<u>\$ 85,468</u>	<u>\$ 77,045</u>	<u>\$ 1,536,393</u>	<u>\$ 1,692,900</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Corporation and the LLC maintain cash in bank deposit accounts that at times may exceed federally insured limits. The Corporation and the LLC have not experienced any losses in such accounts. At June 30, 2019, the Corporation had \$1,142,166 in excess of FDIC insured limits.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - ACCOUNTS RECEIVABLE

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

	Charter Middle School	Charter Elementary School	Total
Local Control Funding Formula	\$ 280,464	\$ 164,980	\$ 445,444
Federal receivable	69,422	59,406	128,828
Other State receivable	155,315	33,579	188,894
Lottery	31,520	23,548	55,068
Local receivable	4,498	-	4,498
Total Accounts Receivable	\$ 541,219	\$ 281,513	\$ 822,732

NOTE 6 - PREPAID EXPENSES

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

	Charter Middle School	Charter Elementary School	Home Office	Total
Prepaid rent, insurance, and miscellaneous vendors	\$ 77,182	\$ 24,203	\$ 1,880	\$ 103,265

NOTE 7 - LONG-TERM RECEIVABLE

The Charter Middle School entered into a Promissory Note Agreement with ExED 5 Investment Fund, the LLC in the amount of \$770,000. Payments of principal and interest under this Note as follows: interest only, at the rate of one and three tenths percent (1.30%) per annum, shall be due and payable in arrears, commencing on August 1, 2010, (the Commencement Date) and continuing on the first (1st) day of each calendar month thereafter until August 1, 2017; thereafter, the Note is to bear interest at five percent (5.00%) per annum and accrued and unpaid interest and principal shall be payable in arrears in successive monthly installments on the first day of each month, calculated based on a one hundred and fifty six (156) month amortization schedule, and all principal and accrued interest shall be due and payable on August 1, 2030, (the Maturity Date). During the 2019 fiscal year, the LLC refinanced the New Market Tax Credit debt. The loan receivable was forgiven in order to avoid an increase in lease expensed as noted in the lease agreement. As of June 30, 2019, there was no remaining balance.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - FIXED ASSETS

Fixed assets at June 30, 2019, consisted of the following:

	Charter Middle School	Charter Elementary School	Home Office	LLC	Total
Buildings and site improvements	\$ 15,678	\$ -	\$ -	\$ 3,406,339	\$ 3,422,017
Computer equipment	88,243	11,701	3,720	-	103,664
Subtotal	103,921	11,701	3,720	3,406,339	3,525,681
Less: accumulated depreciation	(57,661)	(5,302)	-	(1,480,233)	(1,543,196)
Total Fixed Assets	<u>\$ 46,260</u>	<u>\$ 6,399</u>	<u>\$ 3,720</u>	<u>\$ 1,926,106</u>	<u>\$ 1,982,485</u>

NOTE 9 - ACCOUNTS PAYABLE

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

	Charter Middle School	Charter Elementary School	Home Office	Total
Salaries and benefits	\$ 1,683	\$ 284	\$ 869	\$ 2,836
Vendor payables	128,616	39,925	4,470	173,011
Total Accounts Payable	<u>\$ 130,299</u>	<u>\$ 40,209</u>	<u>\$ 5,339</u>	<u>\$ 175,847</u>

NOTE 10 - LONG-TERM OBLIGATIONS

LLC Notes Payable

During the 2010-2011 fiscal year, the LLC entered into a loan agreement with ExED Facilities V, LLC. The LLC received a loan in the amount of \$1,750,000. The loan bears an annual interest rate of 5.24 percent on the unpaid principal beginning July 13, 2010. Note matures on August 1, 2030. On November 13, 2017, the LLC obtained an extension of a loan from ExED Facilities V, LLC ("ExED V Lender") for \$1,750,000 that matured by October 2018. The extension is being made in anticipation of a transaction that will repay the loan. During the 2018-2019 fiscal year, the LLC entered into a loan agreement in the amount of \$1,899,207, with Capital Impact Partners. The proceeds of the loan were used to pay the remaining balance of the loan. As of June 30, 2019, there was no remaining balance.

During the 2010-2011 fiscal year, the LLC entered into a loan agreement with ExED Facilities V, LLC. The LLC received a loan in the amount of \$770,000. The loan bears an annual interest rate of 5.24 percent on the unpaid principal beginning July 13, 2010. The Note matures on August 1, 2030. During the 2018-2019 fiscal year, the LLC entered into a loan agreement in the amount of \$1,899,207, with Capital Impact Partners. As part of the agreement, the Charter Middle School agreed to release ExED 5 Investment Fund, LLC of the loan receivable and thus the LLC would be released from the loan obligation. As of June 30, 2019, there was no remaining balance.

NEW LOS ANGELES CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

During the 2010-2011 fiscal year, the LLC entered into a loan agreement with ExED Facilities V, LLC. The LLC received a loan in the amount of \$876,974. The loan bears an annual interest rate of 5.24 percent on the unpaid principal beginning July 13, 2010. Note matures on August 1, 2030. During the 2018-2019 fiscal year, the LLC entered into a loan agreement in the amount of \$1,899,207, with Capital Impact Partners. The proceeds of the loan were used to pay the remaining balance of the loan. As of June 30, 2019, there was no remaining balance.

During the 2018-2019 fiscal year, the LLC entered into a loan agreement with Capital Impact Partners. The LLC received a loan in the amount of \$1,889,207. The loan bears an annual interest rate of 6.86 percent on the unpaid principal beginning October 1, 2018. Note matures on August 1, 2028. The proceeds of the loan were utilized to pay the remaining balance of the existing loans with ExED 5 Investment Fund, LLC. As of June 30, 2019, the balance was \$1,786,994.

The payments are as follows:

Fiscal Year June 30,	Principal	Interest	Total
2020	\$ 144,116	\$ 120,086	\$ 264,202
2021	154,794	109,408	264,202
2022	165,910	98,292	264,202
2023	177,824	86,378	264,202
2024	190,397	73,805	264,202
2025-2029	953,953	147,849	1,101,802
Total	<u>\$ 1,786,994</u>	<u>\$ 635,818</u>	<u>\$ 2,422,812</u>

NOTE 11 - OPERATING LEASES

The Charter Elementary School

During the 2018 fiscal year, the Charter Elementary School entered into a lease agreement with LAUSD, in which the Charter Elementary School would occupy Baldwin Hills Elementary School for its main campus location. The term of the lease commenced on July 1, 2018, and terminated on June 30, 2019, and is renewed annually. Lease expense for the fiscal year 2018-2019 was \$118,781.

The Charter Middle School

During the 2010-2011 fiscal year, the Charter Middle School entered into a sublease agreement with the LLC in which the Charter Middle School would occupy 1919 S. Burnside Avenue, Los Angeles for its main campus location. The term of the lease commenced on August 1, 2010, and terminates on August 1, 2030. Lease expense for fiscal year 2018-2019 was \$537,975.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The payments are as follows:

Year Ending June 30,	Charter School
2020	\$ 551,425
2021	565,850
2022	580,610
2023	595,445
2024	611,227
2025-2029	1,309,349
2030-2031	930,229
Total	<u>\$ 5,144,135</u>

LLC

The LLC entered into a lease agreement with the Dosaj Trust and Allen Adams in which the LLC would occupy 1919 S. Burnside Avenue, Los Angeles for its location. The term of the lease commenced on November 1, 2010, and terminates on October 31, 2030. Lease expense for fiscal year 2018-2019 was \$255,586.

The future payments are as follows:

Year Ending June 30,	LLC
2020	\$ 263,300
2021	272,240
2022	280,924
2023	289,352
2024	298,036
2025-2029	1,629,764
2030-2031	475,648
Total	<u>\$ 3,509,264</u>

The above rental expense was offset by \$449,433 in sublease rental income from the Charter Middle School for the fiscal year ending June 30, 2019. Future rental income is expected through August 2030 to offset the above future payments.

**NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)**

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

NOTE 11 - 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 the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School 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

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, 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.

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.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The Charter School 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 the Charter School's total contributions were \$384,652.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Charter Schools. These payments consist of State General Fund contributions to CalSTRS in the amount of \$282,249 (9.828 percent of salaries subject to CalSTRS). 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 \$2.2456 billion for CalSTRS. 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.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - CONTINGENCIES

The Corporation 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

The Corporation is not currently a party to any legal proceedings.

NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITY

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

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and the Corporation are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2017-2018 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, the Corporation made payments of \$88,236 to CharterSAFE for services received. At June 30, 2019, the Corporation had no recorded accounts receivable or accounts payable to CharterSAFE.

NOTE 14 - SUBSEQUENT EVENTS

The Corporation and the LLC's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 13, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, except for those noted below.



SUPPLEMENTARY INFORMATION

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

New Los Angeles Middle School Charter (charter number 0998) was granted on April 22, 2008, by the Los Angeles Unified School District. The Middle School operates one school, grades six through eight.

New Los Angeles Elementary School Charter (charter number 1788) was granted on October 13, 2015, by the Los Angeles Unified School District. The Elementary School operates one school, grades Kindergarten through third.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Allison Arkin	Chair	June 30, 2019
Susan Nickerson	Secretary	June 30, 2019
Kevin Doyle	Treasurer	June 30, 2019
Steve Barrett	Member	June 30, 2019
Deb Christenson	Member	June 30, 2019
Bari Cooper Sherman	Member	June 30, 2019
Tim Kusserow	Member	June 30, 2019
Jonathan Lopez	Member	June 30, 2019
Peter Sheehy	Member	June 30, 2019

ADMINISTRATION

Brooke Rios	Executive Director
Kate O'Brien	Principal - Elementary School
Daryl Brook	Principal - Middle School
Xochitl Lira	Director of Operations

See accompanying note to supplementary information.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

	Final Report	
	Second Period Report	Annual Report
New Los Angeles Middle School Charter		
Regular ADA		
Sixth	103.45	103.03
Seventh and eighth	197.27	197.38
Total Regular ADA	<u>300.72</u>	<u>300.41</u>
Classroom based ADA		
Sixth	103.45	103.03
Seventh and eighth	197.27	197.38
Total Classroom Based ADA	<u>300.72</u>	<u>300.41</u>
New Los Angeles Elementary School Charter		
Regular ADA		
Transitional kindergarten through third	<u>185.39</u>	<u>185.98</u>
Classroom based ADA		
Transitional kindergarten through third	<u>185.39</u>	<u>185.98</u>

The Charter Middle School and the Charter Elementary School did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

New Los Angeles Charter Elementary School

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	60,150	175	N/A	Complied
Grades 1 - 2	50,400				
Grade 1		53,150	175	N/A	Complied
Grade 2		53,150	175	N/A	Complied
Grade 3		53,150	175	N/A	Complied

New Los Angeles Charter Middle School

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		64,099	175	N/A	Complied
Grade 7		63,965	175	N/A	Complied
Grade 8		63,965	175	N/A	Complied

See accompanying note to supplementary information.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

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 of the Charter 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.

Schedule of Instructional Time

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

The Charter Schools must maintain their instructional minutes at the 1986-87 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
New Los Angeles Charter School
(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 financial statements of New Los Angeles Charter School (A California Nonprofit Public Benefit Corporation) (the Corporation) and 5301 Washington, LLC (A California Limited Liability Company) (the LLC) as of and for the year ended June 30, 2019, and the related 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 13, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation and the LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 13, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
New Los Angeles Charter School
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited New Los Angeles Charter School's (the Corporation) 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 the Corporation's 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 the Corporation's 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

Unmodified Opinion

In our opinion, the Corporation 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 the Corporation's compliance with the state laws and regulations applicable to the following items:

	Procedures Performed
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	No, see below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
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, see below

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

The Charter Elementary School and Charter Middle School did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The Charter Elementary School and Charter Middle School does not operate a before school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

The Charter Elementary School and Charter Middle School does not operate an Independent Study - Course Based program; therefore, we did not perform any related procedures.

The Charter Elementary School and Charter Middle School does not offer Non Classroom-Based Instruction; 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.

The Charter Elementary School does not operate a Charter School Facility Grant program; therefore, we did not perform any related procedures. The Charter Middle School did receive funds and testing was completed.

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

Rancho Cucamonga, California
December 13, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW LOS ANGELES CHARTER SCHOOL
(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>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

NEW LOS ANGELES CHARTER SCHOOL
(A California Nonprofit Public Benefit Corporation)

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

None reported.

**NEW LOS ANGELES CHARTER SCHOOL
(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 Findings and Questioned Costs.