

LOS ANGELES LEADERSHIP ACADEMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

CHARTER SCHOOLS:

**LOS ANGELES LEADERSHIP ACADEMY (#461)
LOS ANGELES LEADERSHIP PRIMARY ACADEMY (#1333)**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Los Angeles Leadership Academy (the Academy), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the Academy adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Academy’s financial statements as a whole. The LA Leadership Academy, LA Leadership Primary Academy, CMO, and Eliminations columns in the statements of financial position, activities, and cash flows as well as the supplementary information (as identified in the table of contents) accompanying supplementary schedules, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for the portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 2023 on our consideration of the Academy’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 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 Academy’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 13, 2023

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,807,185	\$ 2,515,586	\$ 119,541	\$ 5,442,312
Accounts Receivable - Federal and State	1,703,102	1,420,227	-	3,123,329
Prepaid Expenses and Other Assets	51,382	42,204	-	93,586
Total Current Assets	<u>4,561,669</u>	<u>3,978,017</u>	<u>119,541</u>	<u>8,659,227</u>
LONG-TERM ASSETS				
Property, Plant, and Equipment, Net	3,631,444	2,182,431	-	5,813,875
Operating Right-of-Use (ROU) Asset	4,081,938	1,876,688	-	5,958,626
Financing Right-of-Use (ROU) Asset	5,666	2,833	-	8,499
Total Long-Term Assets	<u>7,719,048</u>	<u>4,061,952</u>	<u>-</u>	<u>11,781,000</u>
Total Assets	<u>\$ 12,280,717</u>	<u>\$ 8,039,969</u>	<u>\$ 119,541</u>	<u>\$ 20,440,227</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 1,101,538	\$ 748,880	\$ 109,676	\$ 1,960,094
Deferred Revenue	94,843	136,307	-	231,150
Lease Liabilities, Current Portion - Operating	558,196	531,185	-	1,089,381
Lease Liabilities, Current Portion - Financing	1,344	672	-	2,016
Total Current Liabilities	<u>1,755,921</u>	<u>1,417,044</u>	<u>109,676</u>	<u>3,282,641</u>
LONG-TERM LIABILITIES				
Notes Payable	1,049,000	-	-	1,049,000
Lease Liabilities, Net of Current Portion - Operating	3,641,581	1,448,975	-	5,090,556
Lease Liabilities, Net of Current Portion - Financing	4,396	2,198	-	6,594
Total Long-Term Liabilities	<u>4,694,977</u>	<u>1,451,173</u>	<u>-</u>	<u>6,146,150</u>
Total Liabilities	6,450,898	2,868,217	109,676	9,428,791
NET ASSETS				
Without Donor Restriction	5,807,518	5,165,346	9,865	10,982,729
With Donor Restriction	22,301	6,406	-	28,707
Total Net Assets	<u>5,829,819</u>	<u>5,171,752</u>	<u>9,865</u>	<u>11,011,436</u>
Total Liabilities and Net Assets	<u>\$ 12,280,717</u>	<u>\$ 8,039,969</u>	<u>\$ 119,541</u>	<u>\$ 20,440,227</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION					
State Revenue:					
State Aid	\$ 3,685,440	\$ 2,639,788	\$ -	\$ -	\$ 6,325,228
Other State Revenue	3,550,904	2,694,849	-	-	6,245,753
Federal Revenue:					
Grants and Entitlements	1,219,344	826,210	-	-	2,045,554
Employee Retention Credit	296,894	196,873	21,000	-	514,767
Local Revenue:					
In-Lieu Property Tax Revenue	1,204,976	908,371	-	-	2,113,347
Private Grants and Contributions	38,036	8,587	290,298	-	336,921
Interest Income	-	-	10,043	-	10,043
Other Revenue	47,816	31,996	863,095	(862,229)	80,678
Total Revenues	<u>10,043,410</u>	<u>7,306,674</u>	<u>1,184,436</u>	<u>(862,229)</u>	<u>17,672,291</u>
Net Assets Released from Restriction	28,654	22,570	-	-	51,224
Total Revenue Without Donor Restriction and Net Assets Released from Restriction	<u>10,072,064</u>	<u>7,329,244</u>	<u>1,184,436</u>	<u>(862,229)</u>	<u>17,723,515</u>
EXPENSES					
Program Services	8,458,569	6,229,453	-	(258,669)	14,429,353
Management and General	1,745,628	1,042,404	1,184,436	(603,560)	3,368,908
Total Expenses	<u>10,204,197</u>	<u>7,271,857</u>	<u>1,184,436</u>	<u>(862,229)</u>	<u>17,798,261</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION					
	(132,133)	57,387	-	-	(74,746)
Net Assets Without Donor Restriction, Beginning of Year	<u>5,939,651</u>	<u>5,107,959</u>	<u>9,865</u>	<u>-</u>	<u>11,057,475</u>
NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	<u><u>\$ 5,807,518</u></u>	<u><u>\$ 5,165,346</u></u>	<u><u>\$ 9,865</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,982,729</u></u>
NET ASSETS WITH DONOR RESTRICTION					
Other Revenue	\$ 35,702	\$ 6,917	\$ -	\$ -	\$ 42,619
Net Assets Released from Restriction	<u>(28,654)</u>	<u>(22,570)</u>	<u>-</u>	<u>-</u>	<u>(51,224)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION	7,048	(15,653)	-	-	(8,605)
Net Assets With Donor Restriction, Beginning of Year	<u>15,253</u>	<u>22,059</u>	<u>-</u>	<u>-</u>	<u>37,312</u>
NET ASSETS WITH DONOR RESTRICTION, END OF YEAR	<u><u>\$ 22,301</u></u>	<u><u>\$ 6,406</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,707</u></u>
TOTAL CHANGE IN NET ASSETS	\$ (125,085)	\$ 41,734	\$ -	\$ -	\$ (83,351)
Total Net Assets - Beginning of Year	<u>5,954,904</u>	<u>5,130,018</u>	<u>9,865</u>	<u>-</u>	<u>11,094,787</u>
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 5,829,819</u></u>	<u><u>\$ 5,171,752</u></u>	<u><u>\$ 9,865</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,011,436</u></u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 3,995,792	\$ 1,249,041	\$ 5,244,833
Pension Expense	539,891	173,632	713,523
Other Employee Benefits	621,838	182,639	804,477
Payroll Taxes	148,812	46,745	195,557
Management Fees	-	84,386	84,386
Legal Expenses	-	11,813	11,813
Accounting Expenses	-	37,217	37,217
Instructional Materials	2,681,505	11,702	2,693,207
Other Fees for Services	4,435,630	649,013	5,084,643
Office Expenses	204,090	183,265	387,355
Information Technology Expenses	102,986	-	102,986
Occupancy Expenses	1,100,730	360,071	1,460,801
Travel Expenses	24,624	5,923	30,547
Interest Expense	186	62	248
Depreciation and Amortization Expense	202,763	67,588	270,351
Insurance Expense	-	179,902	179,902
Other Expenses	370,506	125,909	496,415
	<u>\$ 14,429,353</u>	<u>\$ 3,368,908</u>	<u>\$ 17,798,261</u>
Total			

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (125,085)	\$ 41,734	\$ -	\$ (83,351)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Depreciation	163,630	104,813	-	268,443
Amortization of ROU Lease Assets	1,272	636	-	1,908
Decrease (Increase) in Operating Assets:				
Accounts Receivable - Federal and State	430,125	369,047	-	799,172
Prepaid Expenses and Other Assets	10,790	6,340	-	17,130
ROU Lease Asset - Operating	(4,081,938)	(1,876,688)	-	(5,958,626)
Increase (Decrease) in Operating Liabilities:				
Accounts Payable and Accrued Liabilities	449,902	350,544	3,605	804,051
Deferred Revenue	(160,167)	15,754	-	(144,413)
ROU Lease Liability	4,199,777	1,980,160	-	6,179,937
Net Cash Provided (Used) by Operating Activities	<u>888,306</u>	<u>992,340</u>	<u>3,605</u>	<u>1,884,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant, and Equipment	(29,310)	-	-	(29,310)
Net Cash Used by Investing Activities	<u>(29,310)</u>	<u>-</u>	<u>-</u>	<u>(29,310)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on Finance Leases	(1,198)	(599)	-	(1,797)
Net Cash Used by Financing Activities	<u>(1,198)</u>	<u>(599)</u>	<u>-</u>	<u>(1,797)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	857,798	991,741	3,605	1,853,144
Cash and Cash Equivalents - Beginning of Year	<u>1,949,387</u>	<u>1,523,845</u>	<u>115,936</u>	<u>3,589,168</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,807,185</u>	<u>\$ 2,515,586</u>	<u>\$ 119,541</u>	<u>\$ 5,442,312</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Equipment Received in Exchange for Finance Lease	<u>\$ 6,938</u>	<u>\$ 3,469</u>	<u>\$ -</u>	<u>\$ 10,407</u>

See accompanying Notes to Financial Statements.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Los Angeles Leadership Academy (the Academy) is a California nonprofit charter school organized for the purpose of providing sixth through twelfth grade education to students. In 2011, the Academy was expanded and now includes the Los Angeles Leadership Primary Academy charter which currently serves kindergarten through fifth grade. The Charter Management Organization (CMO) is the cost center for the Academy which holds the two charters. The Academy is economically dependent on state and federal funding.

The charters may be revoked by the Los Angeles Unified School District for material violations of the charters, failure to meet pupil outcomes identified in the charters, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the Academy's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Cash and Cash Equivalents

The Academy defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Contributed Assets and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the Academy based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for without donor restriction use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as with donor restrictions. Restricted contributions that are received and released in the same period are reported as without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the Academy has conditional grants of \$382,188 of which \$231,150 is recognized as deferred revenue in the statement of financial position.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Academy is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Academy. The entire compensated absences liability is reported on the statement of financial position. Employees of the Academy are paid for days or hours worked based upon board-approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Academy is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Academy files an exempt organization return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Leases

The Academy leases facilities and equipment. The Academy determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

ROU assets represent the Academy's right to use an underlying asset for the lease term and lease liabilities represent the Academy's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Academy uses its a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Academy will exercise that option. The Academy has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The Academy has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Academy's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Academy considers factors such as if the Academy has obtained substantially all of the rights to the underlying asset through exclusivity, if the Academy can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Academy has elected to use a risk-free rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Academy adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Academy has elected to adopt the package of practical expedients available in the year of adoption. The School has elected not to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Academy's ROU assets.

The Academy elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a ROU asset at the carrying amount of the operating lease asset of \$7,145,041. The Academy also recognized on July 1, 2022 a lease liability of \$7,145,041, which represents the present value of the remaining finance lease payments discounted using a risk-free rate ranging from 2.85% to 2.92%.

Subsequent Events

The Academy has evaluated subsequent events through December 13, 2023, the date these financial statements were available to be issued.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2023:

	LA Leadership Academy	LA Leadership Primary Academy	CMO	Total
Cash and Cash Equivalents	\$ 2,807,185	\$ 2,515,586	\$ 119,541	\$ 5,442,312
Accounts Receivable - Federal and State	1,703,102	1,420,227	-	3,123,329
Less: Net Assets With Donor Restriction	(22,301)	(6,406)	-	(28,707)
Total	<u>\$ 4,487,986</u>	<u>\$ 3,929,407</u>	<u>\$ 119,541</u>	<u>\$ 8,536,934</u>

As part of the Academy's liquidity management plan, the Academy monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Academy structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Academy maintains cash balances held in banks which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2023 was \$268,443.

The components of property, plant, and equipment as of June 30, 2023 are as follows:

	LA Leadership Academy	LA Leadership Primary Academy	Total
Building	\$ 5,244,129	\$ 3,057,903	\$ 8,302,032
Equipment	333,142	96,235	429,377
Construction in Progress	29,310	-	29,310
Total	5,606,581	3,154,138	8,760,719
Less: Accumulated Depreciation	(1,975,137)	(971,707)	(2,946,844)
Property, Plan, and Equipment, Net	<u>\$ 3,631,444</u>	<u>\$ 2,182,431</u>	<u>\$ 5,813,875</u>

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 EMPLOYEE RETIREMENT

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because: (a) assets contributed to the multiemployer 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 detailed in Teachers' Retirement Law, and (c) if the Academy chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. The Academy did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The Academy's contributions to STRS for the past three years are as follows:

Year Ended June 30,	Los Angeles Leadership Academy		LA Leadership Primary Academy		LA Leadership Charter Management Organization	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
2021	\$ 360,488	100%	\$ 254,006	100%	\$ 63,993	100%
2022	\$ 393,430	100%	\$ 258,875	100%	\$ 69,118	100%
2023	\$ 348,831	100%	\$ 286,211	100%	\$ 78,481	100%

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 NOTE PAYABLE

In January 2008, the California School Finance Authority (CSFA) granted the Academy \$1,047,000 in order to purchase property from the Florence Crittendon Center (FCC). The purchase price was \$2,096,000, the sum of the CSFA grant and the existing mortgage held by the Community Redevelopment Agency (CRA). As part of the purchase, the Academy assumed the CRA mortgage for \$1,049,000.

In June 2009, the Academy transferred title to this property back to FCC. In exchange, the Academy received an unsecured purchase money note in the amount of \$3,000,000. The note has a term of 10 years and bears an annual interest rate of 5%, with principal and interest payable at maturity. As part of the transfer, FCC assumed the CRA mortgage for \$1,049,000. Due to the continuing involvement in this sale-leaseback, the sale was recorded using the deposit method. Under the deposit method of accounting for the sale-leaseback, the Academy continues to report in its financial statements as the net property and note payable from the CRA mortgage loan until the CRA loan is paid and the full amount of the purchase money note has been received.

The Academy entered into a 120-month operating lease agreement commencing June 5, 2009 with FCC. During the year ended June 30, 2019, the Academy exercised an option to extend the lease for ten additional years through June 2029.

NOTE 7 LEASES – ASC 842

The Academy leases equipment as well as certain school operating facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2029 two facility leases provide for renewal options for 10 years. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Academy to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Academy's lease for the year ended June 30, 2023:

Lease Costs	
Finance Lease Costs:	
Amortization of Right-Of-Use Assets	\$ 1,908
Interest on Lease Liabilities	248
Operating Lease Costs	1,377,833
Total Lease Costs	<u>\$ 1,379,989</u>

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 LEASES – ASC 842 (CONTINUED)

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities

Operating Cash Flows from Financing Leases	\$	248
Operating Cash Flows from Operating Leases	\$	1,156,522
Financing Cash Flows from Financing Leases	\$	1,797
Right-Of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	\$	10,407
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$	7,145,041
Weighted-Average Remaining Lease Term - Financing Leases		4.1 Years
Weighted-Average Remaining Lease Term - Operating Leases		5.0 Years
Weighted-Average Discount Rate - Financing		2.88%
Weighted-Average Discount Rate - Operating		2.90%

The Academy classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2024	\$ 2,232	\$ 1,251,089
2025	2,232	1,354,866
2026	2,232	1,455,328
2027	2,232	911,101
2028	186	822,994
Thereafter	-	870,120
Total Lease Payments	<u>9,114</u>	<u>6,665,498</u>
Less: Imputed Interest	<u>(504)</u>	<u>(485,561)</u>
Present Value of Lease Liabilities	<u>\$ 8,610</u>	<u>\$ 6,179,937</u>

NOTE 8 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, office expenses, occupancy, depreciation, and other expenses, which are allocated on the basis of estimates of time and effort.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction activity for the year ended June 30, 2023 is as follows:

	June 30, 2022	Additions	Releases	June 30, 2023
Purpose Restrictions:				
HS Student Council	\$ 3,488	\$ 19,284	\$ (21,858)	\$ 914
MS/HS Community Outreach	3,020	-	-	3,020
Community Outreach	1,510	-	-	1,510
ES Parent Teacher Council	18,240	6,917	(22,570)	2,587
MS Student Activities Fund	-	16,418	(6,796)	9,622
HS Innovation Grant	9,500	-	-	9,500
ES/MS Bike Club	1,554	-	-	1,554
Total Purpose Restrictions	<u>\$ 37,312</u>	<u>\$ 42,619</u>	<u>\$ (51,224)</u>	<u>\$ 28,707</u>

NOTE 10 CONTINGENCIES, RISKS AND UNCERTAINTIES

The Academy 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 required reimbursement would not be material.

NOTE 11 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended June 30, 2023, the Academy received the Employee Retention Credit (ERC) from the Internal Revenue Service (IRS) in the amount of \$514,767 in compliance with the program. The IRS may review funding eligibility for compliance with program requirements. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Academy's financial position.

SUPPLEMENTARY INFORMATION

**LOS ANGELES LEADERSHIP ACADEMY
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

Los Angeles Leadership Academy (the Academy) was established in 2002, when it was granted its charter through the Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. In 2011 the Academy was expanded and now includes the Los Angeles Primary Academy charter which currently serves kindergarten through fifth grade.

The Los Angeles Leadership Academy charter school number authorized by the State: 461

The Los Angeles Leadership Primary Academy charter school number authorized by the State: 1333

The Board of Directors and the Officers as of the year ended June 30, 2023 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3-Year Term)</u>
David Nickoll	Chair	2025
Justin Brimmer	Member	2023
Mona Field	Member	2023
Elizabeth Perez-LoPresti	Member	2023
Diane Prins Sheldahl	Member	2023
Christian Sarabia	Member	2023
Austin Lee	Member	2025
Richard Rosen	Member	2025

ADMINISTRATORS

Arina Goldring-Ravin	Chief Executive Officer/Superintendent
Marina Pilayavskaya	Director of Finance
Tina Butler	Chief Operations Officer

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
LA Leadership Academy:				
Grade 6	54,000	61,580	184	In Compliance
Grade 7	54,000	61,580	184	In Compliance
Grade 8	54,000	63,170	184	In Compliance
Grade 9	64,800	67,800	184	In Compliance
Grade 10	64,800	67,800	184	In Compliance
Grade 11	64,800	67,800	184	In Compliance
Grade 12	64,800	67,800	184	In Compliance
LA Leadership Primary Academy:				
Kindergarten	36,000	53,375	184	In Compliance
Grade 1	50,400	56,590	184	In Compliance
Grade 2	50,400	56,400	184	In Compliance
Grade 3	50,400	56,590	184	In Compliance
Grade 4	54,000	58,390	184	In Compliance
Grade 5	54,000	58,390	184	In Compliance

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2023**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
LA Leadership Academy:				
Grades 4-6	49.19	49.19	48.77	48.77
Grades 7-8	120.86	120.92	120.23	120.35
Grades 9-12	172.88	173.82	172.08	173.03
ADA Totals	342.93	343.93	341.08	342.15
 LA Leadership Primary Academy:				
Grades TK/K-3	158.68	159.58	158.73	159.87
Grades 4-6	99.03	99.23	98.90	99.10
ADA Totals	257.71	258.81	257.63	258.97

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

	<u>LA Leadership Academy</u>	<u>LA Leadership Primary Academy</u>
June 30, 2023 Annual Financial Report Fund Balances (Net Assets)	\$ 6,057,606	\$ 5,366,894
Adjustments and Reclassifications		
Increase (Decrease) of Fund Balance (Net Assets):		
Accounts Receivable - Federal and State	499,170	333,466
Operating Right-of-Use (ROU) Asset	4,081,938	1,876,688
Financing Right-of-Use (ROU) Asset	5,666	2,833
Accounts Payable and Accrued Liabilities	(609,044)	(425,099)
Lease Liabilities - Operating	(4,199,777)	(1,980,160)
Lease Liabilities - Financing	<u>(5,740)</u>	<u>(2,870)</u>
Net Adjustments and Reclassifications	<u>(227,787)</u>	<u>(195,142)</u>
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 5,829,819</u>	<u>\$ 5,171,752</u>

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	LA Leadership Academy	LA Leadership Primary Academy	Total Federal Expenditures
U.S. Department of Education						
Pass-Through Program from California Department of Education:						
Every Student Succeeds Act						
Title I, Part A, Basic Grants:						
Local Educational Agencies	84.010	14329		\$ 166,699	\$ 146,886	\$ 313,585
Title II, Part A, Improving Teacher Quality	84.367	14341		20,727	13,116	33,843
Title III, English Learners Acquisition Guide	84.365	N/A		14,101	22,482	36,583
Title IV, Part A Student Support and Academic Enrichment Grants	84.424	15391		14,062	11,520	25,582
Special Education Cluster:						
Special Education - IDEA Basic Local Assistance	84.027	13379		87,733	69,110	156,843
Total Special Education Cluster				<u>87,733</u>	<u>69,110</u>	<u>156,843</u>
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):						
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	91,439	30,873	122,312
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	33,335	(7,339)	25,996
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	57,570	34,621	92,191
(ESSER III) Fund: Learning Loss	84.425U	10155	COVID-19	88,854	-	88,854
Total CARES Act:				<u>271,198</u>	<u>58,155</u>	<u>329,353</u>
<i>Total U.S. Department of Education</i>				574,520	321,269	895,789
U.S. Department of Agriculture						
Farm to School Grant Program	10.575	N/A		44,051	-	44,051
Pass-Through Program from California Department of Education:						
Child Nutrition Cluster:						
Especially Needy Breakfast Program	10.553	N/A		147,723	128,499	276,222
National School Lunch Program	10.555	N/A		270,908	213,422	484,330
Meal Supplements	10.555	N/A		20,718	13,458	34,176
Total Child Nutrition Cluster				<u>439,349</u>	<u>355,379</u>	<u>794,728</u>
<i>Total U.S. Department of Agriculture</i>				483,400	355,379	838,779
Department of Homeland Security						
Pass-Through Program From Los Angeles County Office of Education:						
Federal Emergency Management Agency - Emergency Protective Measures	97.036	N/A	COVID-19	161,424	149,562	310,986
<i>Total Department of Homeland Security</i>				<u>161,424</u>	<u>149,562</u>	<u>310,986</u>
Total Federal Expenditures				<u>\$ 1,219,344</u>	<u>\$ 826,210</u>	<u>\$ 2,045,554</u>

N/A - Pass-through entity number not readily available or not applicable.

See Independent Auditors' Report and accompanying Notes to Supplementary Information.

**LOS ANGELES LEADERSHIP ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

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

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

NOTE 4 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Academy under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Academy, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Academy.

NOTE 5 INDIRECT COST RATE

The Academy has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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***

Board of Directors
Los Angeles Leadership Academy
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 Los Angeles Leadership Academy (the Academy), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Glendora, California
December 13, 2023



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

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Los Angeles Leadership Academy's (the Academy) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2023. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Board of Directors
Los Angeles Leadership Academy

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
December 13, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Directors
Los Angeles Leadership Academy
Los Angeles, California

Report on Compliance

Opinion on State Compliance

We have audited Los Angeles Leadership Academy's (the Academy) compliance with the types of compliance requirements applicable to the Academy described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2023. The Academy's applicable State compliance requirements are identified in the table below.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that are applicable to the Academy for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable ¹
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable ²
Immunizations	Not Applicable ³
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁴
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable ⁵
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Not Applicable¹: The Academy did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: The Academy did not report ADA pursuant to Education Code section 51749.5.

Not Applicable³: The Academy did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁴: The Academy did not receive a CTEIG allocation for the audit year.

Not Applicable⁵: The Academy did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

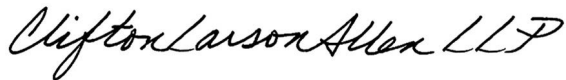
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 13, 2023

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes _____ x no
 - Significant deficiency(ies) identified? _____ yes _____ x none reported

3. Noncompliance material to financial statements noted? _____ yes _____ x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes _____ x no
 - Significant deficiency(ies) identified? _____ yes _____ x none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants
84.425D	Elementary and Secondary School Emergency Relief II (ESSER II) Fund
84.425U	Elementary and Secondary School Emergency Relief III (ESSER III) Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**LOS ANGELES LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Findings

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

Our audit did not disclose any matters required to be reported in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**LOS ANGELES LEADERSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for the prior year.



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