Consolidated Financial Statements
June 30, 2022

Larchmont Schools and Subsidiaries
Charter No. 0717

Independent Auditor's Report

Governing Board
Larchmont Schools
Los Angeles, California

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Larchmont Schools (the Organization) (a California Nonprofit Public Benefit Corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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 *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 consolidated financial statements as a whole. The accompanying supplementary information such as the consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information on pages 22-30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards and other supplementary information is fairly stated in all material respects in relation to the consolidated 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 15, 2022 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 6,222,828
Short-term investments	223,141
Receivables	3,872,205
Prepaid expenses	319,930
Total current assets	10,638,104
Non-current assets	
Security deposit	29,750
Restricted cash	701,962
Property and equipment, net	8,992,970
Total non-current assets	9,724,682
Total assets	$ 20,362,786
Liabilities	
Current liabilities	
Accounts payable	$ 2,162,911
Accrued compensated absences	151,741
Deferred revenue	58,565
Refundable advance	2,045,929
Deferred rent	218,077
Current portion of bonds payable	140,000
Total current liabilities	4,777,223
Long-term liabilities	
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	11,094,374
Total liabilities	15,871,597
Net Assets	
Without donor restrictions	4,418,021
With donor restrictions	73,168
Total net assets	4,491,189
Total liabilities and net assets	$ 20,362,786

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Local Control Funding Formula	$ 15,185,221	$ -	$ 15,185,221
Federal revenue	2,116,436	-	2,116,436
Other state revenue	2,772,780	-	2,772,780
In-kind contributions	5,265	-	5,265
PPP loan forgiveness revenue	2,723,449	-	2,723,449
Local revenues	4,136,594	20,000	4,156,594
Contributions	1,405,037	-	1,405,037
Net assets released from restrictions	62,676	(62,676)	-
Total support and revenues	28,407,458	(42,676)	28,364,782
Expenses			
Program services	21,007,047	-	21,007,047
Management and general	6,994,410	-	6,994,410
Total expenses	28,001,457	-	28,001,457
Change in Net Assets	406,001	(42,676)	363,325
Net Assets, Beginning of Year	4,012,020	115,844	4,127,864
Net Assets, End of Year	$ 4,418,021	$ 73,168	$ 4,491,189

	Program Services	Management and General	Total Expenses
Salaries	$ 11,346,565	$ 1,603,722	$ 12,950,287
Employee benefits	2,369,838	201,497	2,571,335
Payroll taxes	1,898,272	115,072	2,013,344
Fees for services	1,446,101	848,167	2,294,268
Advertising and promotions	-	15,460	15,460
Office expenses	-	65,229	65,229
Information technology	-	60,539	60,539
Occupancy	1,469,177	207,653	1,676,830
Travel	43,472	-	43,472
Interest	-	562,491	562,491
Depreciation	111,876	199,642	311,518
Insurance	-	235,756	235,756
Other expenses	273,227	2,731,100	3,004,327
Capital outlay	616,987	-	616,987
Special education	347,174	-	347,174
Instructional materials	455,737	-	455,737
Nutrition	628,621	-	628,621
District oversight fees	-	148,082	148,082
Total functional expenses	$ 21,007,047	$ 6,994,410	$ 28,001,457

Operating Activities	
Change in net assets	$ 363,325
Adjustments to reconcile change in net assets	
to net cash from (used for) operating activities	
Depreciation expense	311,518
Interest expense attributable to the amortization of bond issuance costs and premium	(137,258)
PPP loan forgiveness revenue	(2,723,449)
Changes in operating assets and liabilities	
Receivables	377,878
Prepaid expenses	112,268
Accounts payable	1,396,308
Accrued compensated payables	27,791
Deferred revenue	(1,536)
Refundable advance	1,245,809
Deferred rent	27,888
Net Cash from (used for) Operating Activities	1,000,542
Investing Activities	
Purchases of property and equipment	(225,621)
Net change in investments	1,998,047
Net Cash from (used for) Investing Activities	1,772,426
Net Change in Cash, Cash Equivalents, and Restricted Cash	2,772,968
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	4,151,822
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 6,924,790
Cash and cash equivalents	$ 6,222,828
Cash restricted to debt reserves	701,962
Total Cash, Cash Equivalents, and Restricted Cash	$ 6,924,790
Supplemental Cash Flow Disclosure	
Cash paid during the year in interest	$ 564,750

Note 1 - Principal Activity and Significant Accounting Policies

Larchmont Schools

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

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

Larchmont Charter School opened in September 2005, and serves approximately 1,609 students in transitional kindergarten through grade twelve at four campuses in Southern California:

Fairfax Campus: 1265 North Fairfax Avenue, West Hollywood, California
Hollygrove Campus: 815 North El Centro Avenue, Los Angeles, California
Selma Campus: 6611 Selma Avenue, Los Angeles, California
La Fayette Park Campus: 2801 West 6th Street, Los Angeles, California
Larchmont Network Office: 444 North Larchmont Boulevard #207, Los Angeles, California

Charter school number authorized by the State: 0717

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

Other Related Entities

Larchmont Charter School Support Corporation

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

Larchmont LFP LLC

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

The relationship between the Charter Schools, the Designator, and the LLC were created with the purpose to accelerate the growth of high-quality charter schools and providing support by leasing, holding, owning, or providing real property and charter school facilities on behalf of and for the use and benefit of the Charter School. On June 30, 2019, the Charter School assigned its membership interest in LLC to the Designator to be sole member provided that the Charter School will remain the Manager of the LLC until removed or replaced as noted in the operating agreement. Consolidation is required due to the Charter Schools' controlling financial interest of the Designator. The Charter Schools have majority voting interest of the Designator through appointment of its directors. Pursuant to its bylaws, the governing board is composed of parent/guardians of currently enrolled students and community members with expertise in areas that enhance the governance and operation of Larchmont and its schools.

Principles of Consolidation

The consolidated financial statements include the accounts of the Larchmont Schools, Larchmont Charter School Support Corporation, and Larchmont LFP, LLC. All significant intracompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Basis of Accounting

The accompanying consolidated financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

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 temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

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

Restricted Cash

Non-current restricted cash in the amount of $701,962 relates to the debt service reserve requirements related to the Charter School Revenue Bonds and is held as non-current to satisfy the long-term obligation.

Investments

Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding receivables as of June 30, 2022 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

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 is 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 Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Deferred Rent

The Organization recognizes escalating rent provisions on a straight-line basis over the lease term. The difference between the rent expense and the required lease payments is reflected as deferred rent in the accompanying consolidated statement of financial position.

Revenue and Revenue Recognition

Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Consequently, at June 30, 2022, conditional contributions approximating $634,110, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

The Organization was granted a $2,723,449 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) 958-605, Not-for-Profit – Revenue Recognition. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized $2,723,449 as PPP loan forgiveness revenue for the year ended June 30, 2022.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight line method. Debt issuance costs are included within bonds payable in the consolidated statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

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 (Note 9). No significant contributions of such goods or services were received during the year ended June 30, 2022.

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, which are allocated on managements estimates, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and qualifies for the charitable contribution deduction. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its consolidated statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's consolidated financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its consolidated statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for the Organization for the year ended June 30, 2023. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2021, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

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:

Financial assets	
Cash and cash equivalents	$ 6,222,828
Accounts receivable	3,872,205
Financial assets at year end	10,095,033
Less those available for general expenditure within one year due to Restrictions by donor with purpose restrictions	73,168
Financial assets availability to meet cash needs for general expenditure within one year	$ 10,021,865

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

Note 3 - Fair Value Measurements and Disclosures

The Organization has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs Level 3 inputs are unobservable inputs related to the asset. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to an entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investments are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values. Certain certificates of deposit are considered invested and traded in the financial markets. Those certificates of deposit, fixed income securities and other securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	
Money market funds	$ 223,141
Total investments	$ 223,141

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2022:

Land	$ 1,590,507
Building improvements	1,202,762
Building	7,367,029
Computer and equipment	592,952
Furniture	139,153
Work in progress	13,003
	10,905,406
Less accumulated depreciation	(1,912,436)
Total	$ 8,992,970

Note 5 - Bonds Payable

Charter School Lease Revenue Bonds, Series 2019A On August 17, 2018, the LLC issued $11,305,000 in Charter School Lease Revenue Bonds, Series 2019A. The bonds mature on June 1, 2055, with interest rates of 3.78 to 4.46 percent. Proceeds of the bonds will be used to finance certain costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of a charter school facility known as Larchmont Charter School - La Fayette Park Campus.	$ 11,160,000
Premium on Charter School Lease Bonds, Series 2019A	499,074
Bond issuance costs on Charter School Lease Revenue Bonds, Series 2019A	(424,700)
Total	$ 11,234,374

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal
2023	$ 140,000
2024	145,000
2025	155,000
2026	160,000
2027	170,000
Thereafter	10,390,000
Less unamortized debt issuance costs	(424,700)
Unamortized bond premium	499,074
Total	$ 11,234,374

Note 6 - Operating Lease

On April 25, 2005, Larchmont Schools entered into a lease agreement with Archdiocese of Los Angeles Education and Welfare Corporation in which Larchmont Schools will occupy St. Ambrose Perish located at 1265 N. Fairfax Avenue, Los Angeles for its campus location. The term of this agreement expires on September 31, 2030. Lease expense for the fiscal year ending June 30, 2022 was $295,913, which is included in occupancy in the consolidated statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2023	$ 305,700
2024	314,871
2025	324,318
2026	334,047
2027	344,068
Thereafter	1,190,068
Total	$ 2,813,072

Larchmont Schools entered into an agreement on May 5, 2006, with Uplift Family Services for its campus location at 815 North El Centro Avenue, Los Angeles. An amendment was made in April 2017, in which the amount of rent due is $2.24 per square foot. On June 20, 2017, the term was extended for 36 months expiring on July 31, 2020. A second amendment was made on May 15, 2020, to extend the lease expiration to July 31, 2021, where the rent due is $2.36 per square foot. A third amendment was made on September 30, 2020, to extend the lease to July 31, 2022, in which the rent due is $2.41 per square foot. The lease expense for fiscal year 2021-2022 was $442,623.

Year Ending June 30,	Lease Payment
2023	$ 36,697

Larchmont Schools renewed a Facilities Use Agreement with LAUSD for the sole purpose of operating the educational programs and related activities. The property is located at 6611 Selma Avenue, Los Angeles, CA 90028 (Selma Elementary School). The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of every month. The Pro-Rata Share of Facilities Cost for the year ended June 30, 2022, was $281,357.

The Organization receives no sublease rental revenues nor pays any contingent rentals associated with these leases.

Note 7 - Net Assets with Donor Restrictions

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

Net Assets with Donor Restrictions		
Subject to expenditure for specified purpose		
Strategic Planning	$	19,019
Provide Meals to Students and Parents		54,149
Total nets assets with donor restrictions	$	73,168

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022.

Satisfaction of Purpose Restrictions		
Strategic Planning	$	8,200
Education Award-Solvably Contest 2021 for Hannah Choi		1,000
Solvably Contest 2021 - 3rd prize winner Rachel Jung		2,500
8th Grade Class Gift		1,360
Senior Class Gift		1,765
Irrigation Grant		20,000
Provide Meals to Students and parents		27,851
Total nets assets released from donor restrictions	$	62,676

Note 8 - 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).

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

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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, 2020, 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% 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.

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	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	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, Larchmont Schools, 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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the Organization's total contributions were $1,602,710.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of Larchmont Schools. These payments consist of State General Fund contributions to CalSTRS in the amount of $990,786 (10.828% of annual payroll). 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.

Note 9 - Donated Professional Services and Materials

Donated services are as followed during the year ended June 30, 2022:

	Program Services
Student materials	$ 5,265

Contributed student materials recognized comprise of book donations and college access to assist students.

Note 10 - Contingencies, Risks, and Uncertainties

The Organization 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.

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of $2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance. As such, the potential exists that the Organization may be deemed ineligible for loan forgiveness and would be required to repay the loan.

Note 11 - Participation in Joint Powers Authority

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

CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and Larchmont Schools are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2021-2022 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2022, Larchmont Schools made a payment of $344,073 to CharterSAFE for services received.

Note 12 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements through December 15, 2022, which is the date the consolidated financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year consolidated financial statements.

On September 29, 2022, an amendment was made for premises located at 815 El Centro Avenue, Los Angeles, California to change the lessor's name from Uplift Family Services to Pacific Clinics. In addition, the term of the lease is extended by an additional 12 months, therefore , the lease expiration date is July, 31, 2023.

Supplementary Information
June 30, 2022

Larchmont Schools and Subsidiaries

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Special Education Cluster			
Basic Local Assistance Entitlement	84.027	13379	$ 452,277
Total Special Education (IDEA) Cluster			452,277
U.S. Department of Education			
Passed through California Department of Education (CDE)			
COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	74,424
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserves	84.425D	15618	144,468
COVID-19 - Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	33,157
COVID-19 - Expanded Learning Opportunities (ELO) (ESSER III) State Reserve, Emergency Needs	84.425U	15620	94,176
COVID-19 - Expanded Learning Opportunities (ELO) (ESSER III) ESSER III State Reserve, Learning Loss	84.425U	15621	28,331
Subtotal			374,556
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	248,109
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	41,758
Title III, English Learner Student Program	84.365	14346	18,014
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	17,749
Total U.S. Department of Education			700,186
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
Summer Food Service Program	10.559	13004	928,707
SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	6,751
Total Child Nutrition Cluster			935,458
Pandemic EBT Local Administrative Grant	10.649	15644	614
U.S. Department of Health and Human Services			
Passed through Center of Disease Control (CDC)			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	[1]	27,901
Total Federal Financial Assistance			$ 2,116,436

[1] Pass-Through Entity Identifying Number not available.

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ali Baird	Chair	June 2023
Jesse Noonan	Vice Chair	May 2024
Frances Hoge	Secretary	May 2024
Jeremy George	Treasurer	May 2024
Ben Howell	Member	February 2024
Mario Perez	Member	February 2024
Steven Kim	Member	February 2024
Luis Carbajo	Member	March 2024
Collette Williams Alleyne	Member	February 2023
Natasha Case	Member	August 2023
Angelica McAdoo	Member	August 2023
Charity Bailey	Member	August 2023
Evan Goldberg	Member	August 2024

ADMINISTRATION

Amy Held	Executive Director
Eva Orozco	Principal, Hollygrove Campus
Mersedeh Emrani	Principal, Fairfax Campus
Yasmin Esmail	Principal, Selma Campus
Mike Kang	Principal, La Fayette Park Campus

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	438.12	436.72
Fourth through sixth	357.55	355.53
Seventh and eighth	242.21	241.29
Ninth through twelfth	469.61	466.62
Total regular ADA	1,507.49	1,500.16
Extended Year Special Education		
Transitional kindergarten through third	0.61	0.61
Fourth through sixth	3.02	3.02
Seventh and eighth	1.55	1.55
Ninth through twelfth	2.45	2.45
Total extended year special education	7.63	7.63
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.18	0.14
Seventh and eighth	0.77	0.78
Total Special Education, Nonpublic, Nonsectarian Schools	0.95	0.92
Total regular ADA	1,516.07	1,508.71
Classroom Based ADA		
Transitional kindergarten through third	420.06	421.09
Fourth through sixth	339.65	338.88
Seventh and eighth	237.58	237.17
Ninth through twelfth	457.65	456.87
Total regular ADA	1,454.94	1,454.01
Extended Year Special Education		
Transitional kindergarten through third	0.61	0.61
Fourth through sixth	3.02	3.02
Seventh and eighth	1.55	1.55
Ninth through twelfth	2.45	2.45
Total extended year special education	7.63	7.63
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.18	0.14
Seventh and eighth	0.77	0.78
Total Special Education, Nonpublic, Nonsectarian Schools	0.95	0.92
Total classroom based ADA	1,463.52	1,462.56

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Actual Days: Traditional Calendar	Number of Actual Days: Multitrack Calendar	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	36,000	58,880	-	58,880	178	N/A	-	178	Complied
Grades 1 - 3	50,400								
Grade 1		56,110	-	56,110	178	N/A	-	178	Complied
Grade 2		56,110	-	56,110	178	N/A	-	178	Complied
Grade 3		56,110	-	56,110	178	N/A	-	178	Complied
Grades 4 - 8	54,000								
Grade 4		56,110	-	56,110	178	N/A	-	178	Complied
Grade 5		63,880	-	63,880	178	N/A	-	178	Complied
Grade 6		64,260	-	64,260	178	N/A	-	178	Complied
Grade 7		62,080	-	62,080	178	N/A	-	178	Complied
Grade 8		65,640	-	65,640	178	N/A	-	178	Complied
Grades 9 - 12	64,800								
Grade 9		64,850	-	64,850	178	N/A	-	178	Complied
Grade 10		64,850	-	64,850	178	N/A	-	178	Complied
Grade 11		64,850	-	64,850	178	N/A	-	178	Complied
Grade 12		64,850	-	64,850	178	N/A	-	178	Complied

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Larchmont Schools
Net Assets	
Balance, June 30, 2022, Unaudited Actuals	$ 6,447,763
Decrease in	
Property and equipment, net	4,174
Increase in	
Receivables	377,238
Accounts payable	(81,357)
Balance, June 30, 2022, Audited Financial Statements	$ 6,747,818

	Larchmont Schools	LLC	Consolidated Total
Assets			
Current assets			
Cash and cash equivalents	$ 6,222,828	$ -	$ 6,222,828
Short-term investments	-	223,141	223,141
Receivables	3,872,205	-	3,872,205
Prepaid expenses	319,930	-	319,930
Total current assets	10,414,963	223,141	10,638,104
Non-current assets			
Security deposit	29,750	-	29,750
Restricted cash	-	701,962	701,962
Property and equipment, net	823,040	8,169,930	8,992,970
Total non-current assets	852,790	8,871,892	9,724,682
Total assets	$ 11,267,753	$ 9,095,033	$ 20,362,786
Liabilities			
Current liabilities			
Accounts payable	$ 2,162,911	$ -	$ 2,162,911
Accrued compensated absences	151,741	-	151,741
Deferred revenue	-	58,565	58,565
Refundable advance	2,045,929	-	2,045,929
Deferred rent	159,354	58,723	218,077
Current portion of bonds payable	-	140,000	140,000
Total current liabilities	4,519,935	257,288	4,777,223
Long-term liabilities			
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium	-	11,094,374	11,094,374
Total liabilities	4,519,935	11,351,662	15,871,597
Net Assets			
Without donor restrictions	6,674,650	(2,256,629)	4,418,021
With donor restrictions	73,168	-	73,168
Total net assets	6,747,818	(2,256,629)	4,491,189
Total liabilities and net assets	$ 11,267,753	$ 9,095,033	$ 20,362,786

	Larchmont Schools	LLC	Eliminations	Consolidated Total
Support and Revenues				
Local Control Funding Formula	$ 15,185,221	$ -	$ -	$ 15,185,221
Federal revenue	2,116,436	-	-	2,116,436
Other state revenue	2,772,780	-	-	2,772,780
In-kind contributions	5,265	-	-	5,265
PPP loan forgiveness revenue	2,723,449	-	-	2,723,449
Local revenues	4,155,553	1,041	-	4,156,594
Contributions	1,405,037	-	-	1,405,037
Rental income	-	704,855	(704,855)	-
Total support and revenues	28,363,741	705,896	(704,855)	28,364,782
Expenses				
Program services	21,624,615	-	(617,568)	21,007,047
Management and general	4,313,654	2,768,043	(87,287)	6,994,410
Total expenses	25,938,269	2,768,043	(704,855)	28,001,457
Change in Net Assets	2,425,472	(2,062,147)	-	363,325
Net Assets, Beginning of Year	4,322,346	(194,482)	-	4,127,864
Net Assets (Deficit), End of Year	$ 6,747,818	$ (2,256,629)	$ -	$ 4,491,189

Note 1 - Purpose of Supplementary Schedules

Consolidated Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the Organization had no food commodities in inventory.

Local Education Agency Organization Structure

This schedule provides information about Larchmont Schools operations, 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 Organization. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at the Organization.

Schedule of Instructional Time

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

The Organization 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 reported on the unaudited actual financial report to the audited financial statements.

Consolidating Statement of Financial Position and Consolidating Statement of Activities

The consolidating statement of financial position and consolidating statement of activities report the activities of the Organization and related entities and are presented on the accrual basis of accounting. Eliminating entries in the consolidating statement of financial position and consolidating statement of activities are for activities between the Organization and related entities.

Independent Auditor's Reports
June 30, 2022

Larchmont Schools and Subsidiaries

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Governing Board
Larchmont Schools
Los Angeles, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the consolidated financial statements of Larchmont Schools (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated 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 Organization's consolidated 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 consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Larchmont Schools
Los Angeles, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Larchmont Schools' (the Organization) 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 the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2022.

Basis for Opinion on the 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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the major federal program. Our audit does not provide a legal determination of the Organization'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 Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 Organization's compliance with the requirements of the 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 Organization'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 Organization'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 Organization'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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

Independent Auditor's Report on State Compliance

Governing Board
Larchmont Schools
Los Angeles, California

Report on Compliance

Opinion on State Compliance

We have audited Larchmont Schools' (the Organization) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the Organization's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

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 *(Government Auditing Standards)*; and the audit requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2021-2022 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 Organization 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 state compliance with the compliance requirements subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our audit does not provide a legal determination of the Organization'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 Organization's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed below has occurred, whether due to fraud or error, and express an opinion on the Organization'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 *2021-2022 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 Organization's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 Organization'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 Organization'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 *2021-2022 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 Organization'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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Organization's compliance with 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
Ratio 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

	Procedures Performed
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	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
In Person Instruction Grant	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for "Local Education Agencies Other Than Charter Schools" are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because the Organization did not receive funding for this program.

We did not perform procedures for the After/Before School Education and Safety Program because the Organization did not offer the program.

The Organization does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The Organization's charter school was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform Career Technical Education Incentive Grant procedures because the Organization did not receive funding for this grant.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Determination of Funding for Nonclassroom-Based Instruction.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 15, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

Larchmont Schools and Subsidiaries

Consolidated Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Child Nutrition Cluster	10.555, 10.559

Dollar threshold used to distinguish between type A and type B programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance for programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.