



LEARNING  
BY  
DESIGN

**LEARNING BY DESIGN, INC.**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

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

Learning by Design Charter School (Charter No. 1959)

**FINANCIAL SECTION**

Independent Auditors' Report ..... 1  
Financial Statements  
    Statement of Financial Position ..... 3  
    Statement of Activities ..... 4  
    Statement of Functional Expenses ..... 5  
    Statement of Cash Flows ..... 6  
Notes to Financial Statements ..... 7

**SUPPLEMENTARY INFORMATION**

LEA Organization Structure ..... 14  
Schedule of Average Daily Attendance ..... 15  
Schedule of Instructional Time ..... 16  
Reconciliation of Annual and Financial Budget Report (Unaudited Actuals) with Audited Financial Statements ..... 17  
Notes to the Supplementary Information ..... 18

**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on  
    an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* ..... 19  
Report on State Compliance ..... 21

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results ..... 24  
Financial Statement Findings ..... 25  
State Award Findings and Questioned Costs ..... 26  
Schedule of Prior Audit Findings ..... 27

---

## **FINANCIAL SECTION**

---

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Learning by Design, Inc.  
Los Angeles, California

**Report on the Financial Statements****Opinion**

We have audited the accompanying financial statements of Learning by Design, Inc. (the "Charter") which comprise the statement of financial position as of June 30, 2022, 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 Learning by Design, Inc. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Learning by Design, Inc. 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 Financial Statements**

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

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

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

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

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

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

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

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2022, on our consideration of Learning by Design, Inc.'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 Charter'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 Learning by Design, Inc.'s internal control over financial reporting and compliance.

*Christy White, Inc.*

San Diego, California  
December 10, 2022

**LEARNING BY DESIGN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

---

**ASSETS**

Current assets

Cash and cash equivalents	\$	187,002
Accounts receivable		588,362
Prepaid expenses		<u>22,681</u>
Total current assets		<u>798,045</u>

Noncurrent assets

Deposits		13,000
Capital assets, net		<u>6,910</u>
Total noncurrent assets		<u>19,910</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>817,955</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$	151,822
Deferred revenue		55,897
Loans payable		<u>314,078</u>
Total liabilities		<u>521,797</u>

Net assets

Without donor restrictions		<u>296,158</u>
Total net assets		<u>296,158</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>817,955</u></b>

The notes to the financial statements are an integral part of this statement.

**LEARNING BY DESIGN, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

---

	<u>Without Donor Restrictions</u>
<b>SUPPORT AND REVENUES</b>	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 885,269
Federal revenues	806,919
Other state revenues	<u>420,825</u>
Total federal and state support and revenues	<u>2,113,013</u>
Local support and revenues	
Payments in lieu of property taxes	330,247
Grants and donations	4,474
Other local revenues	<u>14,207</u>
Total local support and revenues	<u>348,928</u>
<b>Total Support and Revenues</b>	<u><b>2,461,941</b></u>
<b>EXPENSES</b>	
Program services	1,910,105
Management and general	<u>130,770</u>
<b>Total Expenses</b>	<u><b>2,040,875</b></u>
<b>CHANGE IN NET ASSETS</b>	421,066
<b>Net Assets - Beginning</b>	<u>(124,908)</u>
<b>Net Assets - Ending</b>	<u><b>\$ 296,158</b></u>

The notes to the financial statements are an integral part of this statement.

**LEARNING BY DESIGN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

---

	Program Services	Management and General	Total
<b>EXPENSES</b>			
Personnel expenses			
Certificated salaries	\$ 547,406	\$ 19,462	\$ 566,868
Non-certificated salaries	213,357	29,151	242,508
Payroll taxes	75,245	2,257	77,502
Other employee benefits	26,512	940	27,452
Total personnel expenses	<u>862,520</u>	<u>51,810</u>	<u>914,330</u>
Non-personnel expenses			
Books and supplies	91,405	2,144	93,549
Insurance	27,434	1,753	29,187
Facilities	200,854	5,633	206,487
Professional services	580,701	63,708	644,409
Interest expense	22,597	1,387	23,984
Depreciation	-	2,409	2,409
Fees to authorizing agency	80,696	730	81,426
Other operating expenses	43,898	1,196	45,094
Total non-personnel expenses	<u>1,047,585</u>	<u>78,960</u>	<u>1,126,545</u>
<b>Total Expenses</b>	<u>\$ 1,910,105</u>	<u>\$ 130,770</u>	<u>\$ 2,040,875</u>

The notes to the financial statements are an integral part of this statement.



**LEARNING BY DESIGN, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 421,066
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	2,409
Forgiveness of PPP loan	(165,000)
(Increase) decrease in operating assets	
Accounts receivable	(338,849)
Prepaid expenses	9,052
Increase (decrease) in operating liabilities	
Accounts payable	35,439
Deferred revenue	(2,452)
<b>Net cash provided by (used in) operating activities</b>	<u>(38,335)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Draws or proceeds from sale of receivables	233,199
Repayment on receivable factoring agreements	(64,364)
Principal payments on loans payable	(44,117)
<b>Net cash provided by (used in) financing activities</b>	<u>124,718</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	86,383
<b>Cash and cash equivalents - Beginning</b>	<u>100,619</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 187,002</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	<u>\$ 23,984</u>

The notes to the financial statements are an integral part of this statement.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Learning by Design, Inc. (the “Charter”) was formed as a nonprofit public benefit corporation on March 15, 2016 for the purpose of operating as a California public school located in Los Angeles County. The charter school operated by the Charter, Learning by Design Charter School, is numbered by the State Board of Education as California Charter No. 1959. The mission is to foster educational equity and cultivate diverse students becoming thoughtful and courageous change makers and problem solvers of tomorrow, through a dynamic 21st Century learning experience with an emphasis on personalized and experiential/hands-on learning. The Charter serves grades TK to 5.

Learning by Design Charter School is authorized to operate as a charter school through Los Angeles Unified School District (the “authorizing agency”). In February 2018, the Board of Directors of Los Angeles Unified School District approved a charter petition for a five-year term ending June 30, 2023. As a result of AB 130, the charter petition end date is extended to June 30, 2025. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

**B. Basis of Accounting**

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

**C. Financial Statement Presentation**

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Learning by Design, Inc. is required to report information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net assets with donor restrictions* – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, the Charter also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

**D. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Contributions**

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

**F. In Lieu of Property Tax Revenue**

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Learning by Design, Inc.. Revenues are recognized by the Charter when earned.

**G. Functional Expenses**

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

**H. Cash and Investments**

Learning by Design, Inc. considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Charter’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

**I. Receivables and Allowances**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2022, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Capital Assets**

Learning by Design, Inc. has adopted a policy to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

**K. Deferred Revenue**

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

**L. Income Taxes**

Learning by Design, Inc. is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

**M. Fair Value Measurements**

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1     Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2     Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3     Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**N. New Accounting Pronouncement**

**Leases**

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

---

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents, as of June 30, 2022, consists of the following:

Cash in banks, non-interest bearing	\$	186,802
Cash on hand (petty cash)		200
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>187,002</b>

**Cash in Banks**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Learning by Design, Inc. does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2022, Learning by Design, Inc.’s bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2022, consists of the following:

Local control funding sources, state aid	\$	88,720
Federal sources		329,470
Other state sources		123,296
In lieu property tax payments		22,846
Other local sources		24,030
<b>Total Accounts Receivable</b>	<b>\$</b>	<b>588,362</b>

**NOTE 4 – CAPITAL ASSETS**

A summary of activity related to capital assets during the year ended June 30, 2022 consists of the following:

	July 1, 2021	Additions	Disposals	June 30, 2022
Property and equipment				
Building improvements	\$ 4,895	\$ -	\$ -	\$ 4,895
Computer and equipment	16,145	-	-	16,145
Total property and equipment	21,040	-	-	21,040
Less accumulated depreciation	(11,721)	(2,409)	-	(14,130)
<b>Capital Assets, net</b>	<b>\$ 9,319</b>	<b>\$ (2,409)</b>	<b>\$ -</b>	<b>\$ 6,910</b>

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2022, consists of the following:

Vendor payables	\$	96,333
Salaries and benefits		54,606
Due to authorizing agency		883
<b>Total Accounts Payable</b>	<b>\$</b>	<b>151,822</b>

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

---

**NOTE 6 – DEFERRED REVENUE**

Deferred revenue as of June 30, 2022, consists of \$55,897 in state funding sources.

**NOTE 7 – LOANS PAYABLE**

A summary of activity related to loans payable during the year ended June 30, 2022 consists of the following:

	July 1, 2021	Draws	Payments	June 30, 2022
Charter revolving loan	\$ 124,996	\$ -	\$ 44,117	\$ 80,879
Sale of receivables	64,364	233,199	64,364	233,199
PPP loan	165,000	-	165,000	-
<b>Total Loans Payable</b>	<b>\$ 354,360</b>	<b>\$ 233,199</b>	<b>\$ 273,481</b>	<b>\$ 314,078</b>

**Charter Revolving Loan**

In 2018, the Charter was approved to borrow \$250,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). Loan proceeds were received in three separate disbursements: \$100,000 in September 2018, \$75,000 in January 2019, and \$75,000 in March 2019. The revolving note bears an annualized interest rate equal to the “prime rate” of 2.245%. In August 2021, an adjusted repayment schedule was agreed to with full repayment expected for January 2024. As of June 30, 2022, the outstanding balance on the loan was \$80,879. Repayment obligations on the charter revolving loan are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 40,440	\$ 1,626	\$ 42,066
2024	40,439	720	41,159
<b>Total</b>	<b>\$ 80,879</b>	<b>\$ 2,346</b>	<b>\$ 83,225</b>

**Sale of Receivables**

In Spring 2022, the Charter entered into several agreements with Charter Asset Management whereby future receivables were collateralized for short-term borrowings. The total amount borrowed during the fiscal year amounted to \$233,199. Total interest expense or discounts charged on these financing agreements amounted to \$9,207. In Fall 2021, \$64,364 was repaid for a borrowing that occurred in the previous year. As of June 30, 2022, \$233,199 remained payable and is to be repaid in the 2022-23 fiscal year once local control funding formula sources are received in Fall 2023.

**Paycheck Protection Program (PPP) Loan**

In the previous fiscal year, the Charter received a loan in the amount of \$165,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP, established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses. Under the terms of the PPP, the full loan and any accrued interest may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Charter applied forgiveness with the lender and received full forgiveness from the SBA. The amount of loan forgiveness is presented as a component of federal support and revenues on the statement of activities.

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

---

**NOTE 8 – NET ASSETS**

As of June 30, 2022, the Charter did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2022, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 6,910
Undesignated	527,568
<b>Total Net Assets without Donor Restrictions</b>	<b><u>\$ 534,478</u></b>

**NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Charter’s financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. As mentioned in Note 14, the Charter subsequently opened a line of credit that could be drawn upon if deemed necessary to meet cash needs in future years.

Financial Assets	
Cash and cash equivalents	\$ 187,002
Accounts receivable	588,362
Prepaid expenses	<u>22,681</u>
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<b><u>\$ 798,045</u></b>

**NOTE 10 – EMPLOYEE RETIREMENT PLAN**

As established by federal law, all public sector employees who are not members of their employer’s existing retirement plan, such as CalSTRS for certificated personnel, must be covered by social security or an alternative plan. The Charter offers social security as an alternative plan. All employees participate and total contributions to social security for the fiscal year amounted to \$60,013.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Governmental Funds**

Learning by Design, Inc. has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

**Pending or Threatened Litigation**

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2022.

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

---

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)**

**Charter School Authorization**

As mentioned in Note 1A, Learning by Design Charter School is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the charter petition end date is extended to June 30, 2025.

The Charter makes payments to the authorizing agency, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$12,156 and total expenses for special education amounted to \$69,270 for the fiscal year ending June 30, 2022.

**Operating Lease**

In June 2019, the Charter entered into a lease agreement to occupy space located at 7019 South Van Ness Avenue in Los Angeles, California. The facility is utilized for instructional services in order to meet the goals established by the Charter. The lease called for a security deposit of \$13,000, which has been recorded as a noncurrent asset on the statement of financial position. The lease agreement covered an original two-year term ending June 30, 2021 and allowed for a one-year extension. During the fiscal year ended June 30, 2022, the Charter paid \$173,040 in lease payments. The lease was subsequently renewed for an additional three-year period (see Note 13). Effective July 1, 2022 rent is \$14,420 per month with rent increasing annually by five percent. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2023	\$ 173,040
2024	181,692
2025	190,777
<b>Total</b>	<b>\$ 545,509</b>

**NOTE 12 – DONATED GOODS AND SERVICES**

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Learning by Design, Inc. in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did not receive any donated items during the year ended June 30, 2022.

**NOTE 13 – SUBSEQUENT EVENTS**

Learning by Design, Inc. has evaluated subsequent events for the period from June 30, 2022 through December 10, 2022, the date the financial statements were available to be issued. In August 2022, the Charter entered into a renewed lease agreement for a three-year term to continue to occupy the same space mentioned in Note 11 (operating lease). In September 2022, the governing board approved to open a line of credit with Banc of California. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.



---

## **SUPPLEMENTARY INFORMATION**

---

**LEARNING BY DESIGN, INC.  
LEA ORGANIZATION STRUCTURE  
JUNE 30, 2022**

---

Learning by Design, Inc., located in Los Angeles County, was formed as a nonprofit public benefit corporation on March 15, 2016. The charter school operated by the nonprofit, Learning by Design Charter School, is numbered by the State Board of Education as Charter No. 1959. The charter school is authorized by the Los Angeles Unified School District. During 2021-22, Learning by Design Charter School served approximately 107 students in grades TK to 5.

---

**BOARD OF DIRECTORS**

---

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Ashlye Durrel	Chair	June 30, 2023
Rasheeda Washington	Secretary	June 30, 2023
Angela Brown	Director	June 30, 2023
Earl Turner	Director	June 30, 2023
Larry Jacobs	Director	June 30, 2023

---

**ADMINISTRATION**

---

Charla Austin-Harris  
*Executive Director*

See accompanying notes to supplementary information.

**LEARNING BY DESIGN, INC.**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Second Period Report After Audit Finding Adjustments	Annual Report	Annual Report After Audit Finding Adjustments
<b>Classroom-Based</b>				
<b>Grade Span</b>				
Kindergarten* through third	53.96	53.96	55.80	55.80
Fourth through fifth	30.36	30.36	30.81	30.81
<b>Total Average Daily Attendance - Classroom-Based</b>	<b>84.32</b>	<b>84.32</b>	<b>86.61</b>	<b>86.61</b>
<b>Nonclassroom-Based</b>				
<b>Grade Span</b>				
Kindergarten* through third	10.59	8.59	9.08	7.51
Fourth through fifth	6.74	3.15	6.46	3.65
<b>Total Average Daily Attendance - Nonclassroom-Based</b>	<b>17.33</b>	<b>11.74</b>	<b>15.54</b>	<b>11.16</b>

\*Includes Transitional Kindergarten (TK)

See accompanying notes to supplementary information.

**LEARNING BY DESIGN, INC.  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2022**

---

Grade Span	Minutes Requirement	2021-22 Instructional Minutes	2021-22 Number of Days	Status
Kindergarten*	36,000	65,100	175	Complied
Grades 1 through 3	50,400	58,100	175	Complied
Grades 4 through 5	54,000	58,500	175	Complied

\*Includes Transitional Kindergarten (TK)

**LEARNING BY DESIGN, INC.  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDDGET REPORT (UNAUDITED ACTUALS) WITH  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2022**

---

There were no adjustments to reconcile net position for the Charter Schools Enterprise Fund reported on the Annual Financial and Budget Report (Unaudited Actuals) to net assets per the audited financial statements for the year ended June 30, 2022.

See accompanying notes to supplementary information.

**NOTE 1 – PURPOSE OF SCHEDULES**

**A. LEA Organization Structure**

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

**B. Schedule of Average Daily Attendance**

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

**C. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered per grade level by the charter school and whether the charter school complied with the provisions of *Education Code Section 47612*.

**D. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements**

This schedule provides the information necessary to reconcile net position reported on the Annual Financial and Budget Report ( Unaudited Actuals) within the Charter Schools Enterprise Fund to net assets on the audited financial statements.

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

---

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

To the Board of Directors of  
Learning by Design, Inc.  
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Learning by Design, Inc. (the "Charter") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 10, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

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

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001.



## **Learning by Design, Inc.'s Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Learning by Design, Inc.'s response to the finding identified in our audit described in the accompanying schedule of findings and questioned costs as the corrective action plan. The Charter's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Christy White, Inc.*

San Diego, California  
December 10, 2022

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

To the Board of Directors of  
Learning by Design, Inc.  
Los Angeles, California

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

We have audited Learning by Design, Inc.'s compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Learning by Design, Inc.'s state programs for the fiscal year ended June 30, 2022, as identified below. Reference to Learning by Design, Inc. within this letter is inclusive of Learning by Design Charter School (No. 1959).

In our opinion, Learning by Design, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

**Basis for Qualified and Unmodified Opinions on State Compliance**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

**Responsibilities of Management for Compliance**

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

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

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

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

- Exercise professional judgement 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 Learning by Design, Inc.'s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Learning by Design, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Learning by Design, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Learning by Design, Inc.'s compliance with the state laws and regulations to the following items:

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

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

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

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the K-12 Audit Guide and which are described in the accompanying schedule of findings and questioned costs within Finding 2022-001. Our opinion on state compliance is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Learning by Design, Inc.'s response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs as the corrective action plan. Learning by Design, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Learning by Design, Inc.'s response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs as the corrective action plan. Learning by Design, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Christy White, Inc.*

San Diego, California  
December 10, 2022

---

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

---

**LEARNING BY DESIGN, INC.  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2022**

---

**Financial Statements**

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>Yes</u>

**Federal Awards**

*The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.  
Note: The use of SBA PPP loan proceeds is excluded from this threshold.*

**State Awards**

Internal control over state programs:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

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

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

**LEARNING BY DESIGN, INC.  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

---

There were no audit findings related to the financial statements during the year ended June 30, 2022.

**LEARNING BY DESIGN, INC.  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

---

**FINDING 2022-001: NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY (10000 and 30000)  
(Material Weakness)**

**Criteria:** In accordance with Education Code Section 51747(g), each independent study agreement must contain certain elements, one of which includes dated signatures for (1) pupil, (2) parent, guardian, or caregiver, (3) teacher. For the 2021-22 school year only, written agreements were required to be signed no later than 30 days after the first day of instruction in independent study.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

**Condition:** We selected a total of six (6) students who received apportionment credit for nonclassroom-based instruction exceeding fourteen (14) days during the P-2 reporting period. We noticed that each student did not have an executed master agreement with all required signatures. Most agreements either lacked all signatures or only included the signature of the parent/guardian. There was not an internal process in place to ensure that this issue of noncompliance was prevented, or detected and corrected, in a timely basis.

**Effect:** The charter school is not in compliance with State requirements and a material weakness in internal control over compliance exists.

**Cause:** Former personnel responsible for maintaining independent study files did not ensure that independent study master agreements met all required elements.

**ADA Impact:** Total unallowed ADA for the six (6) students amounted to 5.59 ADA during the P-2 reporting period.

**Questioned Cost:** \$65,306 as calculated below:

Grade Span	ADA Impact	Derived Value of ADA	Questioned Cost
TK - 3	2.00	\$ 12,320.20	\$ 24,640.40
4 - 6	3.59	\$ 11,327.42	\$ 40,665.44
Total	5.59		\$ 65,305.84

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

**Recommendation:** We recommend that all personnel responsible for attendance reporting be familiar with and receive adequate training regarding the independent study requirements. All master agreements should be reviewed to ensure they contain all required elements in order to be deemed eligible. Any ineligible apportionment should be excluded when reporting ADA to the California Department of Education (CDE).

**Corrective Action Plan:** The Principal who was with us at the time was responsible for fully executing the Independent Study agreements. She is no longer employed by our organization. We found sticky notes on the agreements with communication and dates when these were to be signed. We are now finding they were not fully executed. We do, however, have evidence of independent studies taking place: student work, online work, email correspondence between parents and teachers, and sign-in sheets of parents coming to pick up student work that supports that Independent Study was approved by parents and taking place with teachers.

We have new leadership and staffing in place who have reviewed the guidelines and have been trained in the process for getting these fully executed. We now have an internal process in place, which includes a segregation of duties. The contracts have to go through three people (Office Manager, Director of Operations, and Executive Director) before being considered fully executed.



**LEARNING BY DESIGN, INC.**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

---

This schedule presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2021.