



Annual Financial Report  
June 30, 2019

# Learning By Design Charter

# LEARNING BY DESIGN CHARTER

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Learning By Design Charter  
(A California Nonprofit Public Benefit Corporation)  
Los Angeles, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Learning by Design Inc. which operates Learning By Design Charter (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Charter School, as of June 30, 2019, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2019, on our consideration of the Charter School'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 School'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 Charter School's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California  
December 6, 2019



## **FINANCIAL STATEMENTS**

# LEARNING BY DESIGN CHARTER

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2019

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### ASSETS

Current Assets	
Cash	\$ 198,636
Accounts receivable	34,269
Prepaid expenses	31,787
Total Current Assets	<u>264,692</u>
Non-Current Assets	
Fixed assets	21,040
Less: accumulated depreciation	<u>(3,844)</u>
Total Non-Current Assets	<u>17,196</u>
Total Assets	<u>\$ 281,888</u>

### LIABILITIES

Current Liabilities	
Accounts payable	\$ 301,625
Current portion of long-term debt	62,502
Total Current Liabilities	<u>364,127</u>
Long-Term Obligations	
Loan payable	346,830
Total Liabilities	<u>710,957</u>

### NET ASSETS (DEFICIT)

Without Donor Restrictions	
Unrestricted (Deficit)	<u>(429,069)</u>
Total Liabilities and Net Assets	<u>\$ 281,888</u>

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

# LEARNING BY DESIGN CHARTER

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

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### REVENUES

Local Control Funding Formula	\$ 359,153
Federal revenues	195,335
State revenues	26,616
Local revenues	34,418
Total Revenues	<u>615,522</u>

### EXPENSES

Program Services	750,548
Management and General	294,043
Total Expenses	<u>1,044,591</u>

### CHANGE IN NET ASSETS

(429,069)

### NET ASSETS, BEGINNING OF YEAR

\$ -

### NET ASSETS (DEFICIT), END OF YEAR

\$ (429,069)

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

## LEARNING BY DESIGN CHARTER

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

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (429,069)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation expense	3,844
Changes in operating assets and liabilities	
Increase in accounts receivable	(34,269)
Increase in prepaid expenses and other assets, net	(31,787)
Increase in accounts payable	301,625
Net Cash Used by Operating Activities	<u>(189,656)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital expenditures	<u>(21,040)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Loan proceeds	<u>409,332</u>
<b>NET INCREASE IN CASH</b>	198,636
<b>CASH, BEGINNING OF YEAR</b>	-
<b>CASH, END OF YEAR</b>	<u><u>\$ 198,636</u></u>
<b>Supplemental cash flow disclosure:</b>	
Cash paid during the period for interest	<u><u>\$ 20,790</u></u>

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

## LEARNING BY DESIGN CHARTER

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

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	Program Services	Management and General	Total Expenses
Teacher salaries and benefits	\$ 396,807	\$ 28,615	\$ 425,422
Administrative salaries and benefits	-	105,409	105,409
Clerical salaries and benefits	-	49,999	49,999
District supervisory fee	2,316	1,276	3,592
Educational programs	287	158	445
Occupancy	88,506	48,754	137,260
Materials and supplies	91,889	1,788	93,677
Special education fee	7,968	4,389	12,357
Operating expenses	146,512	40,853	187,365
Depreciation	-	3,844	3,844
Insurance	13,476	7,423	20,899
Capital outlay	2,787	1,535	4,322
Total Functional Expenses	<u>\$ 750,548</u>	<u>\$ 294,043</u>	<u>\$ 1,044,591</u>

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

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### *NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES*

Learning by Design, a new TK-5 charter school located at 7019 S. Van Ness Avenue, Los Angeles, CA 90047, is designed to foster educational equity and cultivate diverse students becoming thoughtful and courageous change makers and problem solvers of tomorrow, through a dynamic 21<sup>st</sup> Century learning experience with an emphasis on personalized and experiential/hands-on learning.

Charter school number authorized by the State: 1959

“Learning by Design believes that all children can achieve. But we know that all children do not achieve in the same way or at the same pace. So it is our mission to set each child up for success by meeting them where they are and providing them with the tools, resources, and support they need to succeed in the ways that work best for them.

We also believe that as educators it is our responsibility to educate the whole child. Working collaboratively with students and their families, we intend to create a well-rounded learning environment that encourages students to not only grow academically but to also grow personally, cognitively, socially, and civically. Students will take ownership of their own development as well as that of the overall learning community. Through this experience, students learn the power of their own voice to chart their own path and they develop a deep confidence in their ability to effect change within their community.

We know that life is not fixed...life is fluid and ever-changing, and we want to prepare students to be able to think critically and move more fluidly through this world so that no matter what the world looks like in our future, Learning by Design students will be ready!”

### **Cash and Cash Equivalents**

The Charter School 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.

### **Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

### **Prepaid Expenses/Security Deposit**

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

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Fixed Assets

Fixed assets additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining 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. Depreciation expense for the year ended June 30, 2019, was \$3,844.

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

### Net Assets

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

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

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of June 30, 2019, the Charter School has no net assets with donor restrictions.

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Revenue and Revenue Recognition

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

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### Donated Services and In-Kind Contributions

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

### Functional Allocation of Expenses

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

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

### Income Taxes

The Charter School is a California nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2015 and forward may be audited by regulatory agencies; however, the Charter School is not aware of any such actions at this time.

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

### Use of Estimates

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

### Recent Accounting Pronouncements

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

Specifically, the amendments in the Update:

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

The ASU is effective for the Charter School for the year ended June 30, 2019. Management is evaluating the impact of the adoption of this standard.

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Change in Accounting Policy

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

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

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

### NOTE 2 - CASH

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

	Reported Amount	Bank Balance
Deposits		
Cash on hand and in banks	<u>\$ 198,636</u>	<u>\$ 200,420</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2019, the Charter School did not have a balance in excess of FDIC insured limits.

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### ***NOTE 3 – LIQUIDITY AND AVAILABILITY***

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

Cash and cash equivalents	\$ 198,636
Accounts receivable and other assets	66,056
	<u>\$ 264,692</u>

As part of the Charter School'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. The Charter School invests cash in excess of daily requirements in county investment pools and money market funds. Occasionally, the board will designate a portion of any operating surplus to its operating reserve, As of June 30, 2019, no reserves are recorded.

### ***NOTE 4 - ACCOUNTS RECEIVABLE***

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

Local Control Funding Formula	\$ 794
Federal receivables	27,539
Lottery	5,936
Total Accounts Receivable	<u>\$ 34,269</u>

### ***NOTE 5 - PREPAID EXPENSES***

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

Insurance	\$ 3,186
Security deposit	13,000
Miscellaneous vendors	15,601
Total Prepaid Expenses	<u>\$ 31,787</u>

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### **NOTE 6 – FIXED ASSETS**

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

Site improvements	\$	4,895
Furniture and equipment		14,345
Computer equipment		1,800
Total		<u>21,040</u>
Less: accumulated depreciation		(3,844)
Total Fixed Assets	\$	<u><u>17,196</u></u>

During the year ended June 30, 2019, \$3,844 was charged to the Charter School for depreciation expense.

### **NOTE 7 - ACCOUNTS PAYABLE**

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

Salaries and benefits	\$	11,808
Vendor payables		58,709
Due to grantor governments		211,109
Due to Los Angeles Unified School District		19,999
Total Accounts Payable	\$	<u><u>301,625</u></u>

### **NOTE 8 - LOANS PAYABLE**

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

	Balance June 30, 2018	Draws	Payments	Balance June 30, 2019
Sale of receivables	\$ -	\$ 638,422	\$ 479,090	\$ 159,332
Charter School revolving loan	-	250,000	-	250,000
Total Loans Payable	<u>\$ -</u>	<u>\$ 888,422</u>	<u>\$ 479,090</u>	<u>\$ 409,332</u>

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Sale of Receivables

During 2018, the Charter entered into a receivable purchase agreement with Charter Asset Management Fund, LP (the “Purchaser” or “CAM”) for short-term borrowings. The purpose was to aid in cash flow for charter school start-up costs. In return for receiving advanced funds, the Charter granted title and interest to future state apportionment revenues to the purchaser. The transfers from the purchaser to the Charter were considered loans secured by future receivables due to Learning by Design Charter School. The total amount borrowed, amounted to \$638,422 and repayment was made as of June 30, 2019 for \$479,090. The repayment included this amount in addition to admin fees and a discount or interest expense of \$20,790. As of June 30, 2019, there was \$159,332 outstanding attributed to sale of receivables.

### Charter Revolving Loan

In July 2018, the Charter entered into a loan agreement to borrow \$250,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The funds were disbursed to the Charter in September 2018, January 2019 and March 2019. The loan is to be repaid over a four-year period commencing August 2019. The revolving note bears an annualized interest rate equal to the “prime rate” as of the date of disbursement. As of June 30, 2019, the outstanding balance on the loan was \$250,000.

Future estimated payments are as follows:

Fiscal Year Ending	Principal	Interest	Total
2020	\$ 62,502	\$ 5,683	\$ 68,185
2021	62,502	3,906	66,408
2022	62,502	2,513	65,015
2023	62,494	1,111	63,605
Total	<u>\$ 250,000</u>	<u>\$ 13,213</u>	<u>\$ 263,213</u>

### ***NOTE 9 – FACILITIES USE AGREEMENT***

On April 16, 2018, Learning By Design Charter entered into a Commercial Lease Agreement with Pleasant Hill Baptist Church for the property located at 2009 West Martin Luther King Blvd., Los Angeles, CA 90062. The terms of the lease were for two years, commencing on July 1, 2018, and ending on June 30, 2020. Per the agreement, the Charter School is required to pay rent in the amount of \$9,500 per month, with rent payments due on the first day of each month. Total rent expense for the year ended June 30, 2019, was \$114,000.

# LEARNING BY DESIGN CHARTER

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### *NOTE 10 - NET ASSETS (DEFICIT)*

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

Without Donor Restrictions	
Unrestricted (deficit)	<u>\$ (429,069)</u>

### **Negative Net Assets (Deficit)**

Ending net assets resulted in a deficit of \$429,069 due to expected deficit spending in the Charter's first year of school operation. As a result of one-time start-up costs, the Charter's total expenditures exceeded total revenue for the fiscal year. The Charter has secured short-term borrowings to aid in cash flow concerns and has plans to reduce operating costs in Year 3 of school operation in order to end with a surplus. The Charter is expected to improve its financial position in future periods.

### *NOTE 11 - EMPLOYEE RETIREMENT SYSTEM*

#### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS/CalPERS) must be covered by social security or an alternative plan. The Charter School has elected to use the social security as its alternative plan.

### *NOTE 12 - CONTINGENCIES*

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

#### **Litigation**

The Charter School has no outstanding claims or litigation.

## LEARNING BY DESIGN CHARTER

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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#### *NOTE 13 - SUBSEQUENT EVENTS*

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 6, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted below, that would have a material impact on the current year financial statements.

On June 11, 2019, the Charter School entered into a lease agreement with Archdiocese of Los Angeles & Welfare on behalf and for the benefit of St. Anselm Church, for the property located at 7019 S. Van Ness Avenue, Los Angeles, CA 90047. The term of the lease is for two years commencing on July 1, 2019 and ending on June 30, 2021, with an option to extend the term of the lease for an additional one year. Per the lease agreement, the Charter School is required to pay rent in the amount of \$13,000 per month for Year 1 and \$14,000 per month for Year 2. Furthermore, in the event the term of the lease is extended one year, the rent shall be increased by three percent.



**SUPPLEMENTARY INFORMATION**

# LEARNING BY DESIGN CHARTER

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

Learning By Design Charter (Charter Number 1959) was granted on February 6, 2018, by the Los Angeles Unified School District. The Charter School operates one school grades kindergarten through fifth.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Meteka Bullard	Board Chair	July 14, 2019
Theresa Key	Secretary	July 14, 2020
Charles Inokon	Treasurer	July 14, 2020
Andrea Martin-Inokon	Member	July 14, 2021
Lybroan James	Member	July 14, 2019

### ADMINISTRATION

Charla Harris <sup>2</sup>	Executive Director/Founder/Principal
Kim Benjamin <sup>1</sup>	Principal

<sup>1</sup> July 2018-December 2018

<sup>2</sup> Effective December 2018

See accompanying note to supplementary information.

## LEARNING BY DESIGN CHARTER

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

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	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	29.99	30.85
Fourth through fifth	3.73	3.86
Total Regular ADA	<u>33.72</u>	<u>34.71</u>
Classroom based ADA		
Transitional kindergarten through third	29.85	30.73
Fourth through Fifth	3.73	3.86
Total Classroom Based ADA	<u>33.58</u>	<u>34.59</u>

The Charter School did operate a Non-Classroom Based Instruction program.

See accompanying note to supplementary information.

## LEARNING BY DESIGN CHARTER

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

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Transitional Kindergarten	36,000	58,320	180	N/A	Complied
Kindergarten		58,320	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		58,320	180	N/A	Complied
Grade 2		58,320	180	N/A	Complied
Grade 3		58,320	180	N/A	Complied
Grades 4 - 5	54,000	58,320	180	N/A	Complied
Grade 4		58,320	180	N/A	Complied
Grade 5		58,320	180	N/A	Complied

See accompanying note to supplementary information.

## LEARNING BY DESIGN CHARTER

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

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

#### FUND BALANCE

Balance, June 30, 2019, Unaudited Actuals	\$ (419,737)
Increase in:	
Long-term debt	(9,332)
Balance, June 30, 2019, Audited Financial Statement	<u>\$ (429,069)</u>

See accompanying note to supplementary information.

# LEARNING BY DESIGN CHARTER

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### ***NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES***

#### **Local Education Agency Organization Structure**

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

#### **Schedule of Average Daily Attendance**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students.

#### **Schedule of Instructional Time**

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

The Charter School 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.



## **INDEPENDENT AUDITOR'S REPORTS**



CPAs & BUSINESS ADVISORS

**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  
Learning By Design Charter  
(A California Nonprofit Public Benefit Corporation)  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Learning By Design Charter (the Charter School) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

**Internal Control Over Financial Reporting**

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

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 6, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Learning By Design Charter  
(A California Nonprofit Public Benefit Corporation)  
Los Angeles, California

### **Report on State Compliance**

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

### ***Unmodified Opinion***

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

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
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 Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

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

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

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

The Charter School does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

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

The Charter School did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Rancho Cucamonga, California  
December 6, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# LEARNING BY DESIGN CHARTER

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

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### FINANCIAL STATEMENTS

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

### STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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## **LEARNING BY DESIGN CHARTER**

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

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None reported.

## **LEARNING BY DESIGN CHARTER**

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

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None reported.

## **LEARNING BY DESIGN CHARTER**

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

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Fiscal year 2018-2019 was the Charter's first year of existence.



Learning by Design Charter School  
7019 S. Van Ness Ave.  
Los Angeles, CA 90047

**Board Meeting Minutes**  
**Dial in Number: (857) 232-0482**  
**Conference Code: 847473**

**Date and Time**  
December 10, 2019  
5:30pm

**Location**  
7019 S. Van Ness Ave., Los Angeles, CA 90047

The mission of Learning by Design Charter School is to create an ethnically, culturally and economically diverse learning community of students, families, educators and community members who are committed to providing an equitable and exceptional learning experience for ALL of its students.

## Opening

- I. **Opening Items**
  - a. Call to order: 5:44
  - b. Roll call:
    - i. Board: DeShawn Wynn, Kinta Gates
    - ii. School based staff: Charla Harris, Tawny Laskar
    - iii. Public: Janice Knapp from CSMA, Farnaz Kaufman prospective board member
  
- II. **Budget**
  - a. Update on November check register, balance sheet, income statement and cash flow statement
    - i. December budget information will be available in January due to the change in the meeting date
  - b. Currently work on budget update for the second interim
  - c. Enrollment is currently at 135
  - d. Attendance incentive
    - i. Perfect attendance award will be given this Friday
  - e. Loan repayment plan
    - i. Adjustments in payment plan
  
- III. **Approval of November 2019 Board Meeting Minutes**
  - a. Vote to approve November 2019

- b. Motion to approve November 2019 meeting minutes

yes  no

**IV. Audit Report**

- a. Review of the Audit Report
- b. Vote to approve the Audit Report as stated

yes  no

**V. 2019/2020 Fiscal Policies**

- a. Review
- b. Updates, refinements and edits were made that reflects feedback from our 2018/2019 Oversight report
- c. Vote to approve 2019/2020 Fiscal Policies subject to changing “CSMC” to “back office provider”

yes  no

**VI. Employee Handbook - Vacation/PTO Policy**

- a. Review Policy Options
- b. A special meeting before the end of the year will be called after employee vacation/PTO policy is updated

**VII. Prospective Board Member**

- a. Farnaz Kaufman
- b. Vote to approve Farnaz Kaufman as a board member

yes  no

**VIII. 2018/2019 CAASP and ELPAC Data Review**

- a. Overview of assessment scores
- b. NWEA licensing is still being working. We have to change ISP to support the platform

**IX. Review response to district for Notice to Cure**

- a. PIPS for two teachers have been submitted

**X. Review salaries and contracts**

- a. Executive Director’s salary
- b. Janice/CSMC will send an email with some options of budget adjustments

**XI. Brown Act Training/Fiscal Policies Training**

- a. Brown Act training will take place ASAP
  - i. Training materials are in the Shared Document folder
- b. Still working to find a fiscal training at

**XII. Giving Tuesday Updates**

- a. The fundraising committee ran into some challenges
- b. Working towards a robust capital campaign

**XIII. School Events:**

- a. December 5 - LbD Innovator's home basketball game
- b. December 5 - Parent Association and School Site Council Meeting
- c. December 13 - Awards Assembly
- d. December 20 - Coffee and Conversations 11am - 12:15
- e. December 20 - Winter Wonderland Performance 12:30 - 1:30pm

**XIV. Upcoming Events**

- a. Feed the Homeless Campaign - will be done again
- b. Just Science Saturday Program
  - i. Students have started working their application essay and will continue to do this week

**XV. Board member comments**

**XVI. Public Comments**

**XVII. Adjournment - 7:04**

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This legislative body conducts business under the meeting requirements of the Ralph M. Brown Act.  
MEETING AGENDA & RELATED MATERIALS

Agendas for regular board meetings as defined by the Brown Act will be posted at the meeting site and the legislative body's website, if applicable, 72 hours prior to the start of the meeting. Agendas for special meetings as defined by the Brown Act will be posted at the meeting site and the legislative body's website, if applicable, 24 hours prior to the start of the meeting. Materials relating to an agenda topic that is a matter of public record in open session, will be made available for public inspection 72 hours prior to the start of the meeting, or, alternatively, when the materials are distributed to at least a majority of board members.

**THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE**

Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice.

**REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY**

The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.

**SPECIAL PRESENTATIONS MAY BE MADE**

Notice is hereby given that, consistent with the requirements of the Bagley-Keene Open Meeting Act, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only.

**REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY**

Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting may request assistance by contacting Learning by Design Charter School, 7019 South Van Ness., Los Angeles, CA 90047; telephone: (323) 903-5712; <https://www.learningbydesignschools.org/home>