



LEARNING  
BY  
DESIGN

**LEARNING BY DESIGN, INC.**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2023**

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

Learning by Design Charter School (Charter No. 1959)

**FINANCIAL SECTION**

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## **FINANCIAL SECTION**

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**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. which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

**Change in Accounting Principle**

As discussed in Note 1N to the financial statements, in 2022-23 Learning by Design, Inc. adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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 11, 2023, 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 Learning by Design, Inc.'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.



San Diego, California  
December 11, 2023

**LEARNING BY DESIGN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**

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**ASSETS**

Current assets

Cash and cash equivalents	\$	304,256
Accounts receivable		153,116
Prepaid expenses		<u>6,226</u>
Total current assets		<u>463,598</u>

Noncurrent assets

Right-of-use asset		349,513
Deposits		18,000
Capital assets, net		<u>17,357</u>
Total noncurrent assets		<u>384,870</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>848,468</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$	165,928
Operating lease liability		356,831
Deferred revenue		92,905
Loans payable		<u>40,439</u>
Total liabilities		<u>656,103</u>

Net assets

Without donor restrictions		<u>192,365</u>
Total net assets		<u>192,365</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>848,468</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, 2023**

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	<u>Without Donor Restrictions</u>
<b>SUPPORT AND REVENUES</b>	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 965,481
Federal revenues	195,067
Other state revenues	<u>814,193</u>
Total federal and state support and revenues	<u>1,974,741</u>
Local support and revenues	
Payments in lieu of property taxes	325,635
Grants and donations	19,825
Other local revenues	<u>9,095</u>
Total local support and revenues	<u>354,555</u>
<b>Total Support and Revenues</b>	<u>2,329,296</u>
<b>EXPENSES</b>	
Program services	2,222,036
Management and general	<u>211,053</u>
<b>Total Expenses</b>	<u>2,433,089</u>
<b>CHANGE IN NET ASSETS</b>	(103,793)
<b>Net Assets - Beginning</b>	<u>296,158</u>
<b>Net Assets - Ending</b>	<u>\$ 192,365</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, 2023**

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	Program Services	Management and General	Total
<b>EXPENSES</b>			
Personnel expenses			
Certificated salaries	\$ 472,171	\$ 15,150	\$ 487,321
Non-certificated salaries	290,843	59,456	350,299
Payroll taxes	77,518	5,039	82,557
Other employee benefits	46,534	3,228	49,762
Total personnel expenses	<u>887,066</u>	<u>82,873</u>	<u>969,939</u>
Non-personnel expenses			
Books and supplies	206,904	5,414	212,318
Insurance	29,209	2,856	32,065
Facilities	240,902	23,555	264,457
Professional services	754,580	72,217	826,797
Interest expense	-	6,372	6,372
Depreciation	-	2,683	2,683
Fees to authorizing agency	64,106	12,912	77,018
Other operating expenses	39,269	2,171	41,440
Total non-personnel expenses	<u>1,334,970</u>	<u>128,180</u>	<u>1,463,150</u>
<b>Total Expenses</b>	<u>\$ 2,222,036</u>	<u>\$ 211,053</u>	<u>\$ 2,433,089</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, 2023**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (103,793)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	2,683
(Increase) decrease in operating assets	
Accounts receivable	435,246
Prepaid expenses	16,455
Deposits	(5,000)
Increase (decrease) in operating liabilities	
Accounts payable	14,106
Operating lease	7,318
Deferred revenue	37,008
<b>Net cash provided by (used in) operating activities</b>	<u>404,023</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of capital assets	<u>(13,130)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(13,130)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on loans payable	<u>(273,639)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(273,639)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	117,254
<b>Cash and cash equivalents - Beginning</b>	<u>187,002</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 304,256</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	<u>\$ 6,372</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 and SB 114, the charter petition end date is extended to June 30, 2026. 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, 2023, 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.

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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

**N. Change in Accounting Principle**

**ASC 842 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.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Charter has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. Refer to Note 6 for additional information regarding the operating lease and the related right-of-use asset and operating lease liability held by the Charter.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents, as of June 30, 2023, consists of the following:

Cash in banks, non-interest bearing	\$	304,056
Cash on hand or awaiting deposit		200
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>304,256</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, 2023, \$68,766 of the Learning by Design, Inc.'s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks..

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2023, consists of the following:

Local control funding sources, state aid	\$	67,631
Federal sources		64
Other state sources		41,701
Other local sources		43,720
<b>Total Accounts Receivable</b>	<b>\$</b>	<b>153,116</b>

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 4 – CAPITAL ASSETS**

A summary of activity related to capital assets during the year ended June 30, 2023 consists of the following:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Property and equipment				
Buildings	\$ 4,895	\$ 13,130	\$ -	\$ 18,025
Furniture and equipment	16,145	-	-	16,145
Total property and equipment	21,040	13,130	-	34,170
Less accumulated depreciation	(14,130)	(2,683)	-	(16,813)
<b>Capital Assets, net</b>	<b>\$ 6,910</b>	<b>\$ 10,447</b>	<b>\$ -</b>	<b>\$ 17,357</b>

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2023, consists of the following:

Vendor payables	\$ 99,068
Due to grantor government	40,136
Salaries and benefits	26,724
<b>Total Accounts Payable</b>	<b>\$ 165,928</b>

**NOTE 6 – 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. In August 2022, the lease was renewed for an additional three-year period Effective July 1, 2022 rent is \$14,420 per month with rent increasing annually by five percent. During the fiscal year ended June 30, 2023, the Charter paid \$180,213 in lease payments.

At June 30, 2023, the right-of-use asset was \$349,513 and the operating lease liability was \$356,831. The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense reduced by the implied discount rate. The Charter has accounted for its lease agreements using an implied discount rate of 4%. The associated asset and liability are amortized over the straight-line basis over the term of the lease as follows:

Fiscal Year Ending June 30,	Lease Expense	Lease Payments	Discount (4%)	Operating Lease Liability	Right-of-Use Asset
2024	\$ 185,319	\$ 180,213	\$ 10,676	\$ 169,537	\$ 174,643
2025	178,353	190,777	3,483	187,294	174,870
<b>Total</b>	<b>\$ 363,672</b>	<b>\$ 370,990</b>	<b>\$ 14,159</b>	<b>\$ 356,831</b>	<b>\$ 349,513</b>

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 7 – DEFERRED REVENUE**

Deferred revenue as of June 30, 2023, consists of following:

Federal sources	\$	707
State sources		92,198
<b>Total Deferred Revenue</b>	<b>\$</b>	<b>92,905</b>

**NOTE 8 – LOANS PAYABLE**

A summary of activity related to loans payable during the year ended June 30, 2023 consists of the following:

	Balance July 1, 2022	Draws	Payments	Balance June 30, 2023
Sales of receivables	\$ 233,199	\$ -	\$ 233,199	\$ -
Charter revolving loan	80,879	-	40,440	40,439
<b>Total Loans Payable</b>	<b>\$ 314,078</b>	<b>\$ -</b>	<b>\$ 273,639</b>	<b>\$ 40,439</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, 2023, the outstanding balance on the loan was \$40,439 payable in the 2023-24 fiscal year.

**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 previous fiscal year amounted to \$233,199. As of June 30, 2023, \$233,199 was repaid once local control funding formula sources are received in Fall 2023.

**NOTE 9 – NET ASSETS**

As of June 30, 2023, 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, 2023, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$	17,357
Undesignated		175,008
<b>Total Net Assets without Donor Restrictions</b>	<b>\$</b>	<b>192,365</b>

**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Charter’s financial assets as of June 30, 2023, 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. The Charter holds a line of credit that can be drawn upon if deemed necessary to meet cash needs in future years.

Financial Assets	
Cash and cash equivalents	\$ 304,256
Accounts receivable, current portion	153,116
Prepaid expenses	6,226
Total Financial Assets, excluding noncurrent	<u>\$ 463,598</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	<u>(92,905)</u>
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<u><b>\$ 370,693</b></u>

**NOTE 11 – 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 12 – 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. In September 2022, the governing board approved to open a line of credit of \$500,000 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.

**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, 2023.

**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.



**LEARNING BY DESIGN, INC.**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)**

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 was extended to June 30, 2025. Refer to Note 14 for an additional on year extension.

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 \$12,912 and total expenses for special education amounted to \$64,106 for the fiscal year ending June 30, 2023.

**NOTE 13 – 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, 2023.

**NOTE 14 – SUBSEQUENT EVENTS**

Learning by Design, Inc. has evaluated subsequent events for the period from June 30, 2023 through December 11, 2023, the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add "all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year." As a result, the charter petition end date is extended to June 30, 2026.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

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## **SUPPLEMENTARY INFORMATION**

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**LEARNING BY DESIGN, INC.**  
**LEA ORGANIZATION STRUCTURE**  
**JUNE 30, 2023**

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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 2022-23, Learning by Design Charter School served approximately 107 students in grades TK to 5.

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**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Ashlye Durrell	Chair	September 2024
Angela Brown	Secretary	September 2024
Larry Jacobs	Treasurer	September 2024
Angela Burrell	Member	February 2026
Brian Butler	Member	February 2026
Jamila Moore	Member	February 2026
Mellonise Shorter	Member	February 2026

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**ADMINISTRATION**

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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, 2023**

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	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
<b>Grade Span</b>		
Regular		
Kindergarten* through third	61.11	61.16
Fourth through sixth	30.43	29.92
<b>Total Average Daily Attendance - Classroom-Based</b>	<u>91.54</u>	<u>91.08</u>
	<u>Nonclassroom-Based</u>	
<b>Grade Span</b>		
Regular		
Kindergarten* through third	2.19	1.74
Fourth through sixth	2.24	2.41
<b>Total Average Daily Attendance - Nonclassroom-Based</b>	<u>4.43</u>	<u>4.15</u>
<b>Total Average Daily Attendance</b>	<u>95.97</u>	<u>95.23</u>

\*Includes Transitional Kindergarten (TK)

See accompanying notes to supplementary information.

**LEARNING BY DESIGN, INC.  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2023**

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Grade Level	Minutes Requirement	2022-23 Instructional Minutes	2022-23 Number of Days	Status
Kindergarten*	36,000	61,995	186	Complied
Grade 1	50,400	61,995	186	Complied
Grade 2	50,400	61,995	186	Complied
Grade 3	50,400	61,995	186	Complied
Grade 4	54,000	61,995	186	Complied
Grade 5	54,000	61,995	186	Complied

\*Includes Transitional Kindergarten (TK)

See accompanying notes to supplementary information.

**LEARNING BY DESIGN, INC.**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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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, 2023.

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.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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, 2023, 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 11, 2023.

**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 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'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 11, 2023

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROLS OVER  
COMPLIANCE FOR STATE PROGRAMS**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 requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Learning by Design, Inc.'s state program requirements for the fiscal year ended June 30, 2023. 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 laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

**Basis for Opinion 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 *2022-23 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
Transitional Kindergarten	Yes
<b>Charter Schools</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

\*We did not perform testing of Nonclassroom-Based Instruction because ADA was not material.

“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.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Christy White, Inc.*

San Diego, California  
December 11, 2023

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**LEARNING BY DESIGN, INC.  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**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>None</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.*

**State Awards**

Internal control over state programs:	
Material weakness(es) identified?	<u>No</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 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</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, 2023**

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There were no audit findings related to the financial statements for the year ended June 30, 2023.



**LEARNING BY DESIGN, INC.  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

**LEARNING BY DESIGN, INC.  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2023**

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**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	<u>5.59</u>		<u>\$ 65,305.84</u>

**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).

**Current Status:** Implemented