



Literacy First Charter  
School

Charter #405

County of San Diego

San Diego, California

Audit Report

June 30, 2021



WILKINSON HADLEY  
KING & CO. LLP  
CPAs AND ADVISORS



**Literacy First Charter School**  
Financial Statements and Supplemental Information  
Year Ended June 30, 2021

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**TABLE OF CONTENTS**

<b><u>INDEPENDENT AUDITOR’S REPORT</u></b>	<b><u>2</u></b>
<b><u>CONSOLIDATED FINANCIAL STATEMENTS</u></b>	<b><u>4</u></b>
Consolidated Statement of Financial Position .....	4
Consolidated Statement of Activities.....	5
Consolidated Statement of Functional Expenses .....	6
Consolidated Statement of Cash Flows .....	7
Notes to the Consolidated Financial Statements.....	8
<b><u>SUPPLEMENTARY INFORMATION</u></b>	<b><u>25</u></b>
Consolidating Statement of Financial Position.....	25
Consolidating Statement of Activities .....	26
Consolidating Statement of Functional Expenses.....	27
LEA Organization Structure .....	28
Schedule of Instructional Time.....	29
Schedule of Financial Trends & Analysis.....	30
Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements.....	31
Schedule of Expenditures of Federal Awards.....	32
Notes to the Schedule of Expenditures of Federal Awards.....	33
Notes to Supplementary Information.....	34
<b><u>OTHER INDEPENDENT AUDITOR’S REPORTS</u></b>	<b><u>36</u></b>
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 <i>Government Auditing Standards</i> .....	36
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	38
Independent Auditor’s Report on State Compliance .....	40
<b><u>AUDITOR’S RESULTS, FINDINGS &amp; RECOMMENDATIONS</u></b>	<b><u>43</u></b>
Schedule of Auditor’s Results .....	43
Schedule of Findings and Questioned Costs.....	44
Schedule of Prior Year Audit Findings.....	45

## **Independent Auditor's Report**

To the Board of Directors of  
Literacy First Charter School  
San Diego, California

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

We have audited the accompanying consolidated financial statements of Literacy First Charter School (the School), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, consolidated functional expenses, and consolidated cash flows for the year then ended, and the related notes to the consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School as of June 30, 2021, and the respective changes in financial position and 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary information, as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2022, on our consideration of the 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 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 School's internal control over financial reporting and compliance.

*Wilkinson Hadley King + LLP*

El Cajon, California  
January 14, 2022

## Consolidated Financial Statements

**Literacy First Charter School**  
Consolidated Statement of Financial Position  
June 30, 2021

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**Assets**

Cash and cash equivalents	\$ 7,492,784
Accounts receivable	2,379,131
Prepaid expenses	527,113
Security deposits	150,824
Bond issuance costs	520,226
Property and equipment, net	<u>18,219,994</u>
Total Assets	<u><u>\$ 29,290,072</u></u>

**Liabilities and Net Assets**

Liabilities

Accounts payable - vendors	\$ 319,101
Accrued payroll liabilities	248,024
Unearned revenue	55,023
Bonds and notes payable	<u>11,674,783</u>
Total Liabilities	<u>12,296,931</u>

Net Assets

Without donor restrictions	
Undesignated	9,829,833
Invested in property and equipment, net of related debt	<u>6,545,211</u>
	<u>16,375,044</u>
With donor restrictions	
Restricted for state programs	<u>618,097</u>
	<u>618,097</u>
Total Net Assets	<u>16,993,141</u>
Total Liabilities and Net Assets	<u><u>\$ 29,290,072</u></u>

The accompanying notes are an integral part of this statement.

# Literacy First Charter School

## Consolidated Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 6,894,194	\$ -	\$ 6,894,194
Education protection account state aid	5,512,982	-	5,512,982
Transfers in lieu of property taxes	3,673,523	-	3,673,523
Total LCFF sources	<u>16,080,699</u>	<u>-</u>	<u>16,080,699</u>
Federal contracts and grants	-	1,307,473	1,307,473
PPP loan forgiveness	-	2,202,300	2,202,300
State contracts and grants	2,631,613	1,057,409	3,689,022
Local contracts and grants	115,804	-	115,804
Interest income	51,606	-	51,606
Net assets released from restriction -			
Grant restrictions satisfied	4,478,090	(4,478,090)	-
Total revenue, support, and gains	<u>23,357,812</u>	<u>89,092</u>	<u>23,446,904</u>
<b>Expenses and Losses</b>			
Program services expense	16,336,866	-	16,336,866
Supporting services expense	3,386,054	-	3,386,054
Total expenses and losses	<u>19,722,920</u>	<u>-</u>	<u>19,722,920</u>
<b>Change in Net Assets</b>	3,634,892	89,092	3,723,984
<b>Net Assets, Beginning of Year*</b>	12,740,152	529,005	13,269,157
<b>Net Assets, End of Year</b>	<u>\$ 16,375,044</u>	<u>\$ 618,097</u>	<u>\$ 16,993,141</u>

\*As Restated in Note K

The accompanying notes are an integral part of this statement.

**Literacy First Charter School**  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>	
	Educational Programs	Management and General	Total
Salaries and wages	\$ 8,928,473	\$ 2,196,134	\$ 11,124,607
Pension expense	1,428,740	351,427	1,780,167
Other employee benefits	1,002,903	246,684	1,249,587
Payroll taxes	256,418	63,071	319,489
Fees for services:			
Legal	-	41,524	41,524
Audit	-	11,900	11,900
Professional consulting	301,870	-	301,870
District oversight	-	150,296	150,296
Other fees	-	148,296	148,296
Advertising and promotion	52,585	-	52,585
Office expenses	5,964	-	5,964
Information technology	143,324	-	143,324
Occupancy	1,391,950	-	1,391,950
Travel and conferences	47,078	-	47,078
Debt service	518,800	-	518,800
Dues and memberships	23,682	-	23,682
Depreciation	590,735	-	590,735
Insurance	-	142,775	142,775
Other expenses:			
Books and supplies	1,472,867	-	1,472,867
Student events and expenses	31,090	-	31,090
Specialized therapy services	139,526	-	139,526
Miscellaneous	861	33,947	34,808
Total expenses by function	<u>\$ 16,336,866</u>	<u>\$ 3,386,054</u>	<u>\$ 19,722,920</u>

The accompanying notes are an integral part of this statement.

# Literacy First Charter School

Consolidated Statement of Cash Flows

Year Ended June 30, 2021

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<b>Cash Flows from Operating Activities</b>	
Receipts from federal, state, and local contracts and grants	\$ 17,100,806
Receipts from property taxes	3,612,135
PPP loan forgiveness	2,202,300
Other cash receipts	51,606
Payments to employees for services provided	(14,349,028)
Payments to vendors	(4,122,785)
Interest paid	(518,800)
<b>Net Cash Used For Operating Activities</b>	<u>3,976,234</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of property and equipment	(124,386)
<b>Net Cash Used For Investing Activities</b>	<u>(124,386)</u>
<b>Cash Flows from Financing Activities</b>	
Principal payments on bonds payable	(200,000)
<b>Net Cash From Financing Activities</b>	<u>(200,000)</u>
<b>Net Change in Cash and Cash Equivalents</b>	3,651,848
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,840,936</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 7,492,784</u>
<b>Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities</b>	
Change in net assets	\$ 3,723,984
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	614,417
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	(524,929)
Prepaid expenses	(106,933)
Increase (Decrease) in liabilities	
Accounts payable	100,001
Accrued payroll liabilities	124,822
Unearned revenue	44,872
<b>Net Cash Used For Operating Activities</b>	<u>\$ 3,976,234</u>

The accompanying notes are an integral part of this statement.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements  
Year Ended June 30, 2021

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**A. Principal Activity and Summary of Significant Accounting Policies**

*Organization Structure*

Literacy First Charter School (the School) is a non-profit public benefit School established on November 30, 2000. Under the Charter Schools Act of 1992, a charter school is authorized to elect to operate as, or be operated by, a nonprofit public benefit School. The School was authorized by San Diego County Office of Education (the District). On December 14, 2011, the San Diego County Board of Education approved a material revision to the Literacy First Charter School charter to add grades 9 through 12 and operate the Liberty Charter High School under a single charter document beginning the 2012-13 school year. The School and the San Diego County Office of Education entered into a Memorandum of Understanding (MOU), dated March 5, 2012 to address operational issues relating to the revised charter, including issues related to the operation of grade 9 through 12 and the location of facilities. Under the MOU, the School is required to locate Liberty Charter High School within the boundaries of the Grossmont Union High School District. On April, 24, 2012 the School entered into a lease agreement with the Lemon Grove School District to lease certain property known as Palm Middle School for the Liberty Charter High School. The school site is located within the boundaries of the Grossmont Union High School District. On January 29, 2021 the School submitted a Renewal Charter Petition to the San Diego County Office of Education which was approved by the San Diego County Board of Education on April 14, 2021 for a new 5 year term effective July 1, 2021 through June 30, 2026. On December 9, 2021, the School and the San Diego County Superintendent of Schools entered into an updated Memorandum of Understanding to address the School's operations and obligations and the SDCOE's responsibilities through the new charter term ending on June 30, 2026. The San Diego County Board of Education also approved a material revision to the new charter on April 14, 2021 to allow the School to move its Liberty Charter High School program from 8425 Palm Street in Lemon Grove to its projected new site on Chase Avenue in El Cajon once that site is built and ready for occupancy. The School is organized and operated exclusively for educational and charitable purposes pursuant to and within the meaning of section 501(c)(3) of the Internal Revenue Code.

The School's mission is to provide quality education to students in kindergarten through twelfth grade.

Literacy First Charter School Issuer LLC was created to assist the charter school in obtaining land and facilities for its school locations.

*Basis of Consolidation*

The accompanying consolidated financial statements include accounts of Literacy First Charter School and its related entity, Literacy First Charter School Issuer LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

*Basis of Accounting*

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The School uses the accrual basis of accounting, under which revenues are recognized when they are earned, and expenditures are recognized in the accounting period in which the liability is incurred.

*Cash and Cash Equivalents*

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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*Accounts Receivable*

Accounts receivables consist primarily of noninterest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the School.

*Property and Equipment*

The School records property and equipment additions over \$5,000 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 resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

*Investments*

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

*Net Assets*

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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*Revenue and Revenue Recognition*

The School recognizes revenue from sales when the products are transferred and services are provided. The School records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. 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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. In such cases the revenue is recognized once all performance requirements have been met.

*Donated Services and In-Kind Contributions*

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing 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.

*Advertising*

Advertising costs are expensed as incurred and approximated \$52,585 during the year ended June 30, 2021.

*Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional bases in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

*Income Taxes*

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2021, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2021.

*Compensated Absences*

Accumulated unpaid employee vacation benefits are recognized as liabilities of the School. The balance of the liabilities is recognized in the financial statements at year end. The balance of \$60,236 is recognized as part of the accrued payroll liabilities in the financial statements at year end.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the 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.

*Financial Instruments and Credit Risk*

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies.

*LCFF Revenues and Payments in Lieu of Property Taxes*

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 68.58% of the School's revenue.

The School is not at risk of losing these funding sources, as long as the schools maintain a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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*New Accounting Guidance*

The Financial Accounting Standards Board (FASB) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2020-21 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2017-11 - <i>Earnings Per Share (Topic 260)</i>	Jan-18
FASB Accounting Standards Update 2017-11 - <i>Distinguishing Liabilities from Equity (Topic 480)</i>	Jan-18
FASB Accounting Standards Update 2017-11 - <i>Derivatives and Hedging (Topic 815)</i>	Jan-18
FASB Accounting Standards Update 2019-05 - <i>Financial Instruments, Credit Losses (Topic 326)</i>	May-19
FASB Accounting Standards Update 2019-11 - <i>Codification Improvements to Financial Instruments, Credit Losses (Topic 326)</i>	Nov-19
FASB Accounting Standards Update 2020-03 - <i>Codification Improvements to Financial Instruments</i>	Mar-20
FASB Accounting Standards Update 2020-04 - <i>Reference Rate Reform (Topic 848)</i>	Mar-20
FASB Accounting Standards Update 2021-01 - <i>Reference Rate Reform (Topic 848)</i>	Jan-21
FASB Accounting Standards Update 2021-03 - <i>Intangibles Goodwill and Other (Topic 350)</i>	Mar-21

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The School has adopted provisions of effective Accounting Standards Updates. The implementation of these items did not result in a change to financial presentation for the School.

*Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through January 14, 2022, the date the financial statements were available to be issued.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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**B. Liquidity and Availability**

The School's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Literacy First Charter School	Literacy First Charter School Issuer LLC	Total
Cash and cash equivalents	\$ 6,517,992	\$ 974,792	\$ 7,492,784
Accounts receivable	2,379,131	-	2,379,131
Prepaid expenses	527,113	-	527,113
	\$ 9,424,236	\$ 974,792	\$ 10,399,028

**C. Fair Value Measurements and Disclosures**

The School reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the School develops inputs using the best information available in the circumstances.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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

The School has funds at the San Diego County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2021:

<u>Assets</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash in county treasury	\$ 5,558,219	\$ -	\$ 5,558,219	\$ -

**D. Cash and Cash Equivalents**

The School's cash and cash equivalents on June 30, 2021, consisted of the following:

	<u>Literacy First Charter School</u>	<u>Literacy First Charter School Issuer LLC</u>	<u>Total</u>
Cash in county treasury	\$ 5,558,219	\$ -	\$ 5,558,219
Cash in bank accounts	209,773	974,792	1,184,565
Cash with fiscal agent	750,000	-	750,000
Total cash and cash equivalents	<u>\$ 6,517,992</u>	<u>\$ 974,792</u>	<u>\$ 7,492,784</u>

*Cash in County Treasury*

The School is a voluntary participant and therefore maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$5,558,219 as of June 30, 2021). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School's investment in this pool is reported in the accompanying financial statements at amounts based upon the School's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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*Cash with Fiscal Agent*

The School maintains a portion of their funds in with a third party as part of a surety bond (\$750,000 as of June 30, 2021). These funds are not FDIC insured and are therefore exposed to custodial credit risk. The School does not anticipate any losses as a result of this risk.

*Cash in Bank*

The remainder of the School's cash, (\$1,184,565 as of June 30, 2021), is held in financial institutions which are insured by the Federal Deposit Insurance School (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2021, the School held \$738,879 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

**E. Accounts Receivable**

As of June 30, 2021, The School's accounts receivable consisted of the following:

	Literacy First Charter School
Federal Government	
Federal Programs	\$ 23,844
State Government	
State Aid	1,109,989
Lottery Funding	119,425
Special Education	1,029,916
Local Government	
Property tax payments	61,388
Other Local Sources	
Interest	8,048
Other local sources	26,521
Total Accounts Receivable	\$ 2,379,131

**F. Prepaid Expenses**

As of June 30, 2021, the School's prepaid expenses consisted of the following:

	Literacy First Charter School
Prepaid rent	\$ 53,759
Prepaid vendors	371,532
Prepaid insurance	101,822
Total Prepaid Expenses	\$ 527,113

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

**G. Property and Equipment**

Property and equipment for the School consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 5,202,964	\$ 76,091	\$ -	\$ 5,279,055
Work in Progress	1,920,619	80,096	-	2,000,715
Total Non-Depreciable Capital Assets	<u>7,123,583</u>	<u>156,187</u>	<u>-</u>	<u>7,279,770</u>
Depreciable Capital Assets				
Equipment, Furniture, and Fixtures	1,006,832	6,200	10,800	1,002,232
Total Depreciable Capital Assets	<u>1,006,832</u>	<u>6,200</u>	<u>10,800</u>	<u>1,002,232</u>
Total Capital Assets	8,130,415	162,387	10,800	8,282,002
Less Accumulated Depreciation	<u>(506,453)</u>	<u>(115,329)</u>	<u>-</u>	<u>(621,782)</u>
Capital Assets, Net	<u>\$ 7,623,962</u>	<u>\$ 47,058</u>	<u>\$ 10,800</u>	<u>\$ 7,660,220</u>

Property and equipment for the LLC consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Buildings and Improvements	\$ 13,526,313	\$ -	\$ -	\$ 13,526,313
Total Depreciable Capital Assets	<u>13,526,313</u>	<u>-</u>	<u>-</u>	<u>13,526,313</u>
Total Capital Assets	13,526,313	-	-	13,526,313
Less Accumulated Depreciation	<u>(2,491,134)</u>	<u>(475,406)</u>	<u>-</u>	<u>(2,966,540)</u>
Capital Assets, Net	<u>\$ 11,035,179</u>	<u>\$ (475,406)</u>	<u>\$ -</u>	<u>\$ 10,559,773</u>

Consolidated Property and equipment consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 5,202,964	\$ 76,091	\$ -	\$ 5,279,055
Work in Progress	1,920,619	80,096	-	2,000,715
Total Non-Depreciable Capital Assets	<u>7,123,583</u>	<u>156,187</u>	<u>-</u>	<u>7,279,770</u>
Depreciable Capital Assets				
Buildings and Improvements	13,526,313	-	-	13,526,313
Equipment, Furniture, and Fixtures	1,006,832	6,200	10,800	1,002,232
Total Depreciable Capital Assets	<u>14,533,145</u>	<u>6,200</u>	<u>10,800</u>	<u>14,528,545</u>
Total Capital Assets	21,656,728	162,387	10,800	21,808,315
Less Accumulated Depreciation	<u>(2,997,587)</u>	<u>(590,735)</u>	<u>-</u>	<u>(3,588,322)</u>
Capital Assets, Net	<u>\$ 18,659,141</u>	<u>\$ (428,348)</u>	<u>\$ 10,800</u>	<u>\$ 18,219,993</u>

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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**H. Unearned Revenue**

As of June 30, 2021, unearned revenue consisted of the following:

Unearned Revenue, beginning of period	\$	10,151
Increases in deferred revenue due to cash received during the period		55,023
Decreases in deferred revenue due to performance obligations met during the period		10,151
Unearned Revenue, end of period	<u>\$</u>	<u>55,023</u>

State Programs:

In Person Instruction	\$	55,023
Total	<u>\$</u>	<u>55,023</u>

**I. Bonds Payable**

In November 2019, the LLC entered into a loan agreement with California Municipal Finance Authority for the issuance of \$10,630,000 charter School Lease Revenue Bonds. The funds were used for acquisition, construction, renovation, improving, and equipping of an existing charter school facility located at 1012 East Bradley Avenue, El Cajon, California, and the Main Street facilities. The remaining bonds mature as follows:

In conjunction with the issuance of the Lease Revenue Bond, the LLC incurred costs associated with the issuance in the amount of \$543,908. The costs are being amortized over the life of the Bond (30 years) using the straight-line method. Amortization will be charged annually based on the payment amount through the life of the bond.

Bonds payable consist of the following at June 30, 2021:

Principal		\$ 10,430,000
Unamortized premium		1,244,783
	<u>\$</u>	<u>11,674,783</u>

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

Future maturities of bonds payable are as follows:

Year Ended June 30	Principal	Interest	Total
2022	\$ 210,000	\$ 509,063	\$ 719,063
2023	220,000	498,850	718,850
2024	230,000	488,163	718,163
2025	240,000	477,000	717,000
2026	255,000	465,244	720,244
2027-2031	1,825,000	2,119,832	3,944,832
2032-2036	1,265,000	1,710,625	2,975,625
2037-2041	1,630,000	1,350,500	2,980,500
2042-2046	2,080,000	889,250	2,969,250
2047-2050	2,475,000	282,625	2,757,625
Total	<u>\$ 10,430,000</u>	<u>\$ 8,791,152</u>	<u>\$ 19,221,152</u>

**J. Leases**

On November 1, 2019, Literacy First Charter School entered into a lease agreement with the LLC for the use of school facilities located at Main Street and Bradley Street. The building is owned by the LLC and as such, the leases have not been recorded on the statement of financial position for the School. Future minimum lease payments are as follows:

Year Ended June 30	Operating Leases
2022	\$ 724,058
2023	723,816
2024	723,090
2025	724,800
2026	725,068
2027-2031	3,917,220
2032-2036	3,008,251
2037-2041	3,020,365
2042-2046	2,974,023
2047-2050	2,464,405
Total minimum lease payments	<u>\$ 19,005,096</u>

Rent expense for the year ended June 30, 2021 totaled \$1,329,725.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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**K. Beginning Net Asset Adjustment**

There was an adjustment made to the beginning net assets for the School and LLC for a correction

	Literacy First Charter School	Literacy First Charter School Issuer LLC
Beginning net assets as of July 1, 2020	\$ 13,193,422	\$ 817,084
Adjustments to Beginning Net Assets		
Correction for fixed assets	-	(144,222)
Reclassification of LLC net assets	(910,988)	313,861
Total adjustments to beginning net assets	(910,988)	169,639
Adjusted beginning net assets	\$ 12,282,434	\$ 986,723

**L. Restricted Net Assets**

The School receives grants from federal and state agencies that are restricted for specific purposes. Once the restricted purpose has been fulfilled, the assets are released from restriction. During the 2020-21 fiscal year the School received the Expanded Learning Opportunities Grant which is a multi-year restricted grant. At June 30, 2021, net assets were restricted for the following purposes:

Beginning restricted net assets	\$ 529,005
Restricted grants received	4,567,182
Net assets released from restriction:	
Restricted purpose satisfied	(4,478,090)
Ending restricted net assets	\$ 618,097
Subject to expenditure for specified state purposes:	
Expanded Learning Opportunity	\$ 618,097
	618,097
Total net assets with donor restrictions	\$ 618,097

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2021.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

**M. Employee Retirement System**

Qualified employees are covered under a multiple-employer defined benefit pension plan by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Schools choose to stop participating in some of its multi-employer plans, the Schools may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Schools participation in this plan for the fiscal year ended June 30, 2020, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2021, 2020 and 2019 is for the plan's year-end at June 30, 2021, 2020 and 2019, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

*Period to Period Comparability:*

Literacy First Charter School increased in CalSTRS contributions from 2019 to 2020 by 19% followed by an additional increase in 2021 of 2%. Literacy First Charter School increased in CalPERS contributions from 2019 to 2020 by 12% followed by an additional increase in 2021 of 25%. The increase in 2020 & 2021 was in large due to rising contribution rates along with an increase in revenues that cause salaries to also rise, increasing contributions further.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2021	2020	2019	
CalSTRS	37012	Yellow	Yellow	Yellow	No
CalPERS	5817850904	Yellow	Yellow	Yellow	No

  

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2021	2020	2019		
CalSTRS	\$ 1,348,759	\$ 1,322,397	\$ 1,107,834	139	No
CalPERS	431,408	344,560	307,821	60	No
Total	\$ 1,780,167	\$ 1,666,957	\$ 1,415,655	199	

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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CalSTRS:

The Schools contribute to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level of percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2021, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 16.15% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2021 the State contributed \$862,538 (10.328% of certificated salaries) on behalf of the Schools.

CalPERS:

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020-21 was 20.70% of classified salaries. The School made contributions as noted above.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

**N. Upcoming Changes in Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective over the next few fiscal years:

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2016-02 - <i>Leases (Topic 842)</i>	Feb-16	2022-23
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill &amp; Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17	2021-22
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18	2021-22
FASB Accounting Standards Update 2018-11 - <i>Leases Targeted Improvements (Topic 842)</i>	Jul-18	2022-23
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-14 - <i>Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)</i>	Aug-18	2022-23
FASB Accounting Standards Update 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18	2021-22
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18	2021-22
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18	2021-22
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18	2021-22
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2018-20 - <i>Leases (Topic 842)</i>	Dec-18	2022-23
FASB Accounting Standards Update 2019-01 - <i>Leases (Topic 842)</i>	Mar-19	2022-23
FASB Accounting Standards Update 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19	2021-22
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19	2021-22
FASB Accounting Standards Update 2019-12 - <i>Income Taxes (Topic 740)</i>	Dec-19	2022-23
FASB Accounting Standards Update 2020-01 - <i>Investments (Topics 321, 323, and 815)</i>	Jan-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Revenue from Contracts with Customers (Topic 606)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Leases (Topic 842)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20	2021-22
FASB Accounting Standards Update 2020-08 - <i>Codification Improvements for Receivables (Topic 310-20)</i>	Oct-20	2022-23
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-02 - <i>Franchisors Revenue (Topic 952-606)</i>	Jan-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Earnings Per Share (Topic 260)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Debt Modifications and Extinguishments (Topic 470-50)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Stock Compensation (Topic 718)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Derivatives and Hedging (Topic 815-40)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-05 - <i>Leases (Topic 842)</i>	Jul-21	2022-23
FASB Accounting Standards Update 2021-07 - <i>Stock Compensation (Topic 718)</i>	Oct-21	2022-23
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
FASB Accounting Standards Update 2021-09 - <i>Leases (Topic 842)</i>	Nov-21	2022-23

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the future fiscal years are not expected to impact the financial accounting or presentation for the School.

**Literacy First Charter School**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2021

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**O. COVID-19 Impact and Considerations**

The 2020-21 school year continued to be impacted by the COVID-19 pandemic. The School was funded based on 2019-20 levels and was held harmless for attendance. The School met all the criteria for re-opening for in person instruction and provided in person instruction every day of the 2020-21 school year. K-5th grades attended school on site for in person instruction 5 days per week. Grades 6-12 participated in a hybrid program where they attended school on site for in person instruction at least 2 days per week and participated in distance learning from home via Google Classroom and Zoom the other days. The School followed all the state regulations and requirements regarding attendance accounting and instruction for in person and distance learning. All K-12 students had the option to participate in 100% distance learning. By April 19, 2021 the hybrid program for grades 6-12 was eliminated and students returned to 5 day per week full day on site instruction until the end of the school year. 100% distance learning remained an option when the hybrid program was eliminated. The School has been allocated COVID relief state and federal revenue, is expensing it according to allowable uses, and appropriately reporting it so that the School can continue to comply with state regulations and keep on site and in person instruction safe and effective during the continued COVID pandemic.

## Supplementary Information

**LITERACY FIRST CHARTER SCHOOL**  
Consolidating Statement of Financial Position  
Year Ended June 30, 2021

	Literacy First Charter School	Literacy First Charter School Issuer LLC	Elimination	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 6,517,992	\$ 974,792	\$ -	\$ 7,492,784
Operating investments	-	-	-	-
Accounts receivable	2,379,131	-	-	2,379,131
Prepaid expenses	527,113	-	-	527,113
Security deposits	150,824	-	-	150,824
Bond issuance costs	-	520,226	-	520,226
Property and equipment, net	7,660,221	10,559,773	-	18,219,994
<b>Total Assets</b>	<b>\$ 17,235,281</b>	<b>\$ 12,054,791</b>	<b>\$ -</b>	<b>\$ 29,290,072</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable - vendors	\$ 319,101	\$ -	\$ -	\$ 319,101
Accrued payroll liabilities	248,024	-	-	248,024
Unearned revenue	55,023	-	-	55,023
Bonds and notes payable	-	11,674,783	-	11,674,783
<b>Total Liabilities</b>	<b>622,148</b>	<b>11,674,783</b>	<b>-</b>	<b>12,296,931</b>
<b>Net Assets</b>				
<b>Without donor restrictions</b>				
Undesignated	8,334,815	1,495,018	-	9,829,833
Invested in property and equipment, net of related debt	7,660,221	(1,115,010)	-	6,545,211
	<u>15,995,036</u>	<u>380,008</u>	<u>-</u>	<u>16,375,044</u>
<b>With donor restrictions</b>				
Restricted for state programs	618,097	-	-	618,097
	<u>618,097</u>	<u>-</u>	<u>-</u>	<u>618,097</u>
<b>Total Net Assets</b>	<b>16,613,133</b>	<b>380,008</b>	<b>-</b>	<b>16,993,141</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,235,281</b>	<b>\$ 12,054,791</b>	<b>\$ -</b>	<b>\$ 29,290,072</b>

See Accompanying Notes to Supplementary Information

**LITERACY FIRST CHARTER SCHOOL**

Consolidating Statement of Activities

Year Ended June 30, 2021

	Literacy First Charter School		Literacy First Charter School Issuer LLC	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	
<b>Revenue, Support, and Gains</b>					
Local Control Funding Formula (LCFF) sources					
State aid	\$ 6,894,194	\$ -	\$ -	\$ -	\$ 6,894,194
Education protection account state aid	5,512,982	-	-	-	5,512,982
Transfers in lieu of property taxes	3,673,523	-	-	-	3,673,523
Total LCFF sources	<u>16,080,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,080,699</u>
Federal contracts and grants	-	1,307,473	-	-	1,307,473
PPP loan forgiveness	-	2,202,300	-	-	3,689,022
State contracts and grants	2,631,613	1,057,409	-	-	3,689,022
Local contracts and grants	115,804	-	-	-	115,804
Rental income	-	-	718,800	(718,800)	-
Interest income	51,606	-	-	-	51,606
Net assets released from restriction - Grant restrictions satisfied	4,478,090	(4,478,090)	-	-	-
Total revenue, support, and gains	<u>23,357,812</u>	<u>89,092</u>	<u>718,800</u>	<u>(718,800)</u>	<u>23,446,904</u>
<b>Expenses and Losses</b>					
Program services expense	15,730,151	-	1,325,515	(718,800)	16,336,866
Supporting services expense	3,386,054	-	-	-	3,386,054
Total expenses and losses	<u>19,116,205</u>	<u>-</u>	<u>1,325,515</u>	<u>(718,800)</u>	<u>19,722,920</u>
<b>Change in Net Assets</b>	4,241,607	89,092	(606,715)	-	3,723,984
<b>Net Assets, Beginning of Year*</b>	<u>11,753,429</u>	<u>529,005</u>	<u>986,723</u>	<u>-</u>	<u>13,269,157</u>
<b>Net Assets, End of Year</b>	<u>\$ 15,995,036</u>	<u>\$ 618,097</u>	<u>\$ 380,008</u>	<u>\$ -</u>	<u>\$ 16,993,141</u>

\*As Restated in Note K

See Accompanying Notes to Supplementary Information

**LITERACY FIRST CHARTER SCHOOL**  
Consolidating Statement of Functional Expenses  
Year Ended June 30, 2021

	Literacy First Charter School		Literacy First Charter School Issuer LLC		Total
	Program Services	Supporting Services	Program Services	Elimination	
	Educational Programs	Management and General	Educational Programs		
Salaries and wages	\$ 8,928,473	\$ 2,196,134	\$ -	\$ -	\$ 11,124,607
Pension expense	1,428,740	351,427	-	-	1,780,167
Other employee benefits	1,002,903	246,684	-	-	1,249,587
Payroll taxes	256,418	63,071	-	-	319,489
Fees for services:					
Legal	-	41,524	-	-	41,524
Audit	-	11,900	-	-	11,900
Professional consulting	301,870	-	-	-	301,870
District oversight	-	150,296	-	-	150,296
Other fees	-	148,296	-	-	148,296
Advertising and promotion	52,585	-	-	-	52,585
Office expenses	5,964	-	-	-	5,964
Information technology	143,324	-	-	-	143,324
Occupancy	1,803,231	-	307,519	(718,800)	1,391,950
Travel and conferences	47,078	-	-	-	47,078
Debt service	-	-	518,800	-	518,800
Amortization	-	-	23,682	-	23,682
Depreciation	115,329	-	475,406	-	590,735
Insurance	-	142,775	-	-	142,775
Other expenses:					
Books and supplies	1,472,759	-	108	-	1,472,867
Student events and expenses	31,090	-	-	-	31,090
Specialized therapy services	139,526	-	-	-	139,526
Miscellaneous	861	33,947	-	-	34,808
Total expenses by function	<u>\$ 15,730,151</u>	<u>\$ 3,386,054</u>	<u>\$ 1,325,515</u>	<u>\$ (718,800)</u>	<u>\$ 19,722,920</u>

See Accompanying Notes to Supplementary Information

# Literacy First Charter School

LEA Organization Structure

Year Ended June 30, 2021

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Legacy First Charter School (Charter #405) was formed pursuant to Education Code 47600 under the agreement with the San Diego County Office of Education granted in June 2001. The charter serves kids grades K-12 between its campuses.

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## GOVERNING BOARD

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<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Sal Campos	President	Permanent
Lori Ague	Secretary/Treasurer	Permanent
Priscilla Schreiber	Trustee	Permanent
Mark Ferguson	Trustee	Permanent
Lucy Razooky	Trustee	Permanent

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## ADMINISTRATION

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Debbie Beyer  
Executive Director

Steve Robinson  
Financial Officer

# Literacy First Charter School

Schedule of Instructional Time

Year Ended June 30, 2021

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<u>Grade Level</u>	<u>Minimum Daily Minutes Offered</u>	<u>Instructional Days Offered Multi-Track Calendar</u>	<u>J-13A Credited Days</u>	<u>Status</u>
Kindergarten	180	175	N/A	Complied
1st Grade	240	175	N/A	Complied
2nd Grade	240	175	N/A	Complied
3rd Grade	240	175	N/A	Complied
4th Grade	240	175	N/A	Complied
5th Grade	240	175	N/A	Complied
6th Grade	240	175	N/A	Complied
7th Grade	240	175	N/A	Complied
8th Grade	240	175	N/A	Complied
9th Grade	270	175	N/A	Complied
10th Grade	270	175	N/A	Complied
11th Grade	270	175	N/A	Complied
12th Grade	270	175	N/A	Complied

See Accompanying Notes to Supplementary Information

**Literacy First Charter School**  
Schedule of Financial Trends & Analysis  
Year Ended June 30, 2021

	Budget 2022	2021	2020	2019
Revenues	\$ 21,151,073	\$ 23,446,904	\$ 17,655,282	\$ 17,515,615
Expenses	20,238,095	19,722,920	18,454,976	17,168,981
Change in Net Assets	912,978	3,723,984	(799,694)	346,634
Ending Net Assets	<u>\$ 17,906,119</u>	<u>\$ 16,993,141</u>	<u>\$ 13,269,157</u>	<u>\$ 14,068,851</u>
Unrestricted Net Assets	<u>\$ 17,906,119</u>	<u>\$ 16,375,044</u>	<u>\$ 13,461,501</u>	<u>\$ 12,381,741</u>
Unrestricted net assets as a percentage of total expenses	<u>88.48%</u>	<u>83.03%</u>	<u>72.94%</u>	<u>72.12%</u>
Total Long Term Debt	<u>\$ 11,464,783</u>	<u>\$ 11,674,783</u>	<u>\$ 11,874,783</u>	<u>\$ 2,839,429</u>
ADA at P2	<u>1,774</u>	<u>N/A</u>	<u>1,705</u>	<u>1,606</u>

The School's ending net assets has increased by \$2,924,290 (20.79%) over the past two fiscal years. The significant increase is in large due to enrollment growth and additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2021-22 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$912,978 and ADA is projected to be 1,774 for the 2021-22 fiscal year.

## Literacy First Charter School

### Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2021

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June 30, 2021 annual financial alternative form net assets:	\$ 18,233,221
Adjustments and reclassifications:	
Overstatement of cash	(1,001,182)
Overstatement of accounts receivable	(198,090)
Overstatement of prepaid expenses	(688,130)
Overstatement of capital assets	(11,471,140)
Overstatement of unearned revenue	69,504
Overstatement of long term debt	11,668,950
Total adjustments and reclassifications	<u>(1,620,088)</u>
June 30, 2021 audited financial statements net assets:	<u>\$ 16,613,133</u>

**Literacy First Charter School**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
U.S. Department of Education				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	\$ -	\$ 235,823
Total Special Education (IDEA) Cluster			<u>-</u>	<u>235,823</u>
<b>OTHER PROGRAMS</b>				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	-	32,995
Governor's Emergency Education Relief Fund	84.425C	15517	-	87,402
CARES Act - Elementary & Secondary School Emergency Relief II	84.425D	15547	-	111,275
Total passed through State Department of Education			<u>-</u>	<u>231,672</u>
Total U.S. Department of Education			<u>-</u>	<u>467,495</u>
U.S. Department of Treasury				
Passed through State Department of Education				
Coronavirus Relief Fund - Learning Loss Mitigation	21.019	25516	-	839,978
Total passed through State Department of Education			<u>-</u>	<u>839,978</u>
Total U.S. Department of Treasury			<u>-</u>	<u>839,978</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,307,473</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

# Literacy First Charter School

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

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### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

### Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The School used an indirect cost rate of 5.00% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. There were no programs that utilized a lower indirect cost rate based on program restrictions or other factors determined by the School.

### Schoolwide Program

The School does not operate a schoolwide program.

### Personal Protection Equipment (PPE)

The School was provided PPE valued at \$500 during the 2020-21 year as part of the CARES act. PPE donated is recorded at fair market value.

# Literacy First Charter School

Notes to Supplementary Information

Year Ended June 30, 2021

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## A. Purpose of Schedules

### LEA Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

### Schedule of Instructional Time

In addition, this schedule provides the information necessary to determine if the Charter Schools have complied with Education Code §47612 & §47612.5 which require the following:

- 1) EC §47612: As a condition of apportionment 175 school days must be offered for traditional calendar. If a multi-track calendar is utilized, each track must offer 175 school days.
- 2) EC §47612.5: As a condition of apportionment the following annual instructional minutes must be offered:
  - To pupils in Kindergarten 36,000 minutes
  - To pupils in grades 1 to 3 50,400 minutes
  - To pupils in grades 4 to 8 54,000 minutes
  - To pupils in grades 9 to 12 64,800 minutes

Under Senate Bill 98 and Senate Bill 820, annual instructional minutes requirements were waived for the 2020-21 school year. For school districts and classroom-based charter schools, in order for a day to count as a day of instruction towards meeting the annual instructional day requirement, students must be scheduled to attend for the school day established by the local governing board and the school day must be equivalent to at least a minimum day of instruction as follows:

- 180 instructional minutes in TK/Kindergarten, continuation high schools, opportunity schools, and students concurrently enrolled in a community college.
- 230 instructional minutes in grades 1 to 3
- 240 minutes in grades 4 to 12

As a result of the COVID-19 pandemic, the District and Charter Schools operated a portion of the year under distance learning and a portion of the year under in person classroom instruction.

Instructional time for distance learning is calculated based on the time value of synchronous and/or asynchronous instruction and assignments made by and certified by a certificated employee of the LEA. Instructional time for in-person instruction is calculated based on time scheduled under the immediate physical supervision and control of a certificated employee of the LEA.

### Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the School will not be able to continue operations in the next fiscal year. Based upon the information presented, the School appears to have sufficient reserves to continue operations for the 2021-22 fiscal year.

**Literacy First Charter School**  
Notes to Supplementary Information (Continued)  
Year Ended June 30, 2021

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Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

This schedule provides information necessary to reconcile between the audited financial statements and the financial data submitted to the sponsoring school district via the unaudited actual financial report.

## Other Independent Auditor's Reports

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*

To the Board of Directors  
Literacy First Charter School  
San Diego, 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 the governmental activities and each major fund of Literacy First Charter School (the School), as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 14, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 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 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California  
January 14, 2022

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

To the Board of Directors  
Literacy First Charter School  
San Diego, California

**Report on Compliance for Each Major Federal Program**

We have audited Literacy First Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Literacy First Charter School's major federal programs for the year ended June 30, 2021. Literacy First Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Literacy First Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Literacy First 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Literacy First Charter School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Literacy First Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of Literacy First Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Literacy First Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Literacy First Charter School's internal control over compliance.

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

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

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

*Wilkinson Hadley King + LLP*  
El Cajon, California  
January 14, 2022

## Independent Auditor's Report on State Compliance

To the Board of Directors  
Literacy First Charter School  
San Diego, California

### **Report on State Compliance**

We have audited the Literacy First Charter School's (the School) compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2021.

### **Management's Responsibility for State Compliance**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide 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 direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each 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 opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools</b>	
A. Attendance and Distance Learning.....	Yes
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
F. Instructional Time.....	N/A
G. Instructional Materials.....	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	N/A
L. School Accountability Report Card.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	N/A
S. District of Choice.....	N/A
<b>School Districts, County Offices of Education, and Charter Schools</b>	
T. California Clean Energy Jobs Act.....	Yes
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
<b>Charter Schools</b>	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
FF. Charter School Facility Grant Program.....	Yes

The term N/A is used above to mean either the School did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

## Opinion on State Compliance

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2021.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

*Wilkinson Hadley King + Co LLP*

El Cajon, California

January 14, 2022

## Auditor's Results, Findings & Recommendations

# Literacy First Charter School

## Schedule of Auditor's Results

Year Ended June 30, 2021

### FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

           Yes        X   No

One or more significant deficiencies identified that are not considered material weakness(es)?

           Yes        X   No

Noncompliance material to financial statements noted?

           Yes        X   No

### FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified?

           Yes        X   No

One or more significant deficiencies identified that are not considered material weakness(es)?

           Yes        X   No

Type of auditor's report issued on compliance for major programs:

Unmodified

Compliance supplement utilized for single audit

July 2021 with December 2021  
Addendum

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516?

           Yes        X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund - Learning Loss Mitigation

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

\$750,000

Auditee qualified as low-risk auditee?

           Yes        X   No

### STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2020-21 Guide for Annual Audits of California K-12 Local Education Agencies?*

           Yes        X   No

Type of auditor's report issued on compliance for state programs:

Unmodified

**Literacy First Charter School**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2021

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Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2020-21 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting* (the Audit Guide). Finding codes as identified in the Audit Guide are 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
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

**A. Financial Statement Findings**

None

**B. Federal Award Findings**

None

**C. State Award Findings**

None

**LITERACY FIRST CHARTER SCHOOL**

Schedule of Prior Year Audit Findings

Year Ended June 30, 2021

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<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings in the prior year audit.	N/A	N/A