



Literacy First  
Charter School

#405

County of San Diego  
San Diego, California

Audit Report

June 30, 2020



WILKINSON HADLEY  
KING & CO. LLP  
CPAs AND ADVISORS



**LITERACY FIRST CHARTER SCHOOL**  
Consolidated Financial Statements and Supplemental Information  
Year Ended June 30, 2020

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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of Literacy First Charter School, which comprise the statement of financial position as of June 30, 2020, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Literacy First Charter School as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information identified in the table of contents, as required by the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 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 March 29, 2021, on our consideration of Literacy First Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

March 29, 2021

## Financial Statements

**LITERACY FIRST CHARTER SCHOOL**

Consolidated Statement of Financial Position

June 30, 2020

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**Assets**

Cash and cash equivalents	\$ 4,438,063
Accounts receivable	1,854,202
Prepaid expenses	420,180
Security deposits	150,824
Bond issuance costs	688,130
Property and equipment, net	18,686,343
Total Assets	<u>\$ 26,237,742</u>

**Liabilities and Net Assets**

Liabilities

Accounts payable - vendors	\$ 219,100
Accrued expenses and other liabilities	123,202
Unearned revenue	10,151
Bonds and notes payable	11,874,783
Total Liabilities	<u>12,227,236</u>

Net Assets

Without donor restrictions	
Undesignated	6,669,941
Invested in property and equipment, net of related debt	6,811,560
	<u>13,481,501</u>
With donor restrictions	
Restricted for federal programs	24,340
Restricted for state programs	504,665
	<u>529,005</u>
Total Net Assets	<u>14,010,506</u>
Total Liabilities and Net Assets	<u>\$ 26,237,742</u>

The accompanying notes are an integral part of this statement.

**LITERACY FIRST CHARTER SCHOOL**

## Consolidated Statement of Activities

Year Ended June 30, 2020

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	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support, and Gains</b>			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 10,211,848	\$ -	\$ 10,211,848
Education protection account state aid	2,208,463	-	2,208,463
Transfers in lieu of property taxes	3,600,012	-	3,600,012
Total LCFF sources	<u>16,020,323</u>	<u>-</u>	<u>16,020,323</u>
State contracts and grants	658,979	587,231	1,246,210
Local contracts and grants	131,635	-	131,635
Rental income	171,788	-	171,788
Interest income	85,326	-	85,326
Net assets released from restriction -			
Grant restrictions satisfied	580,399	(580,399)	-
Total revenue, support, and gains	<u>17,648,450</u>	<u>6,832</u>	<u>17,655,282</u>
<b>Expenses and Losses</b>			
Program services expense	15,322,161	-	15,322,161
Supporting services expense	3,132,815	-	3,132,815
Total expenses and losses	<u>18,454,976</u>	<u>-</u>	<u>18,454,976</u>
<b>Change in Net Assets</b>	(806,526)	6,832	(799,694)
<b>Net Assets, Beginning of Year* (Note K)</b>	<u>14,288,027</u>	<u>522,173</u>	<u>14,810,200</u>
<b>Net Assets, End of Year</b>	<u>\$ 13,481,501</u>	<u>\$ 529,005</u>	<u>\$ 14,010,506</u>

The accompanying notes are an integral part of this statement.

**LITERACY FIRST CHARTER SCHOOL**  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Educational</u>	<u>Management and</u>		<u>Fundraising and</u>	
	<u>Programs</u>	<u>General</u>		<u>Development</u>	
Salaries and Wages	\$ 8,402,106	\$ 2,039,257	\$ -	\$ 10,441,363	
Pension expense	1,341,391	325,566	-	1,666,957	
Other employee benefits	942,224	228,685	-	1,170,909	
Payroll taxes	239,751	58,189	-	297,940	
Fees for services:					
Legal	-	29,673	-	29,673	
Audit	-	7,700	-	7,700	
Professional consulting	151,187	-	-	151,187	
District oversight	-	183,061	-	183,061	
Other fees	-	35,707	-	35,707	
Advertising and promotion	-	52,319	-	52,319	
Office expenses	42,614	-	-	42,614	
Information technology	150,683	-	-	150,683	
Occupancy	1,517,668	-	-	1,517,668	
Travel and conferences	34,166	45,915	-	80,081	
Interest	562,257	562	-	562,819	
Depreciation	595,671	-	-	595,671	
Insurance	-	105,549	-	105,549	
Other expenses:					
Books and supplies	818,741	-	-	818,741	
Equipment rental and repair	182,189	-	-	182,189	
Student events and expenses	158,943	-	-	158,943	
Specialized therapy services	181,381	-	-	181,381	
Miscellaneous	1,189	20,632	-	21,821	
<b>Total expenses by function</b>	<b>15,322,161</b>	<b>3,132,815</b>	<b>-</b>	<b>18,454,976</b>	

The accompanying notes are an integral part of this statement.



# LITERACY FIRST CHARTER SCHOOL

## Consolidated Statement of Cash Flows

Year Ended June 30, 2020

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<b>Cash Flows from Operating Activities</b>	
Receipts from federal, state, and local contracts and grants	\$ 12,489,849
Receipts from property taxes	3,600,012
Receipts from rental income	171,788
Other cash receipts	85,326
Payments to employees for services provided	(12,982,678)
Payments to vendors	(4,870,868)
<b>Net Cash Used For Operating Activities</b>	<u>(1,506,571)</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of property and equipment	(8,927,421)
<b>Net Cash Used For Investing Activities</b>	<u>(8,927,421)</u>
<b>Cash Flows from Financing Activities</b>	
Principal payments on bonds payable	9,050,289
Interest paid	(562,819)
<b>Net Cash From Financing Activities</b>	<u>8,487,470</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,946,522)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>6,384,585</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,438,063</u>
<b>Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities</b>	
Change in net assets	\$ (799,694)
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	595,671
Interest paid	562,819
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	(1,318,458)
Prepaid expenses	2,282
Security deposits	100,986
Other assets cost of issuance	(688,130)
Increase (Decrease) in liabilities	
Accounts payable	28,982
Accrued expenses and other liabilities	(1,180)
Unearned revenue	10,151
<b>Net Cash Used For Operating Activities</b>	<u>\$ (1,506,571)</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, 2020

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

*School*

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. 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.

*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 Schools. The School uses the accrual basis of accounting, under which revenues are recognized when they are earned, and expenses are recognized in the accounting period in which the liability is incurred.

*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.

*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 Financial Statements (Continued)  
Year Ended June 30, 2020

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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, 2020.

*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 Financial Statements (Continued)  
Year Ended June 30, 2020

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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. The School's federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense.

*Donated Services and In-Kind Contributions*

Volunteers contribute significant amounts of time to the School's 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 \$52,319 during the year ended June 30, 2020.

*Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional basis 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 School 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, 2020, 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, 2020.

*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 a liability in the financial statements at year end.

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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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 board members and individuals supportive of the School's mission.

*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 76.73% 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.

*New Accounting Guidance*

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that became effective during the 2019-20 fiscal year:

1. FASB ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*
2. FASB ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*
3. FASB ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*
4. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force).*
5. FASB ASU 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).*
6. FASB ASU 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.*

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

7. FASB ASU 2016-12 *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.*
8. FASB ASU 2016-15 *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force).
9. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*
10. FASB ASU 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers.*
11. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
12. FASB ASU 2017-05 *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.*
13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*
14. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*
15. FASB ASU 2018-09 *Codification Improvements*
16. FASB ASU 2020-04 *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting.*
17. FASB ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities.*

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 2019-20 fiscal year did not impact the financial accounting or presentation for the School.

*Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through March 29, 2021, the date the financial statements were available to be issued.

**B. Liquidity and Availability**

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

	Literacy First Charter School	Literacy First Charter School Issuer LLC	Total
Cash and cash equivalents	\$ 3,498,111	\$ 939,952	\$ 4,438,063
Accounts receivable	1,854,202	-	1,854,202
	\$ 5,352,313	\$ 939,952	\$ 6,292,265

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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**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.

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.

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

<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>
Operating investments				
Cash in county treasury	\$ 3,230,307	-	\$ 3,230,307	-

**D. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2020 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	\$ 3,230,307	\$ -	\$ 3,230,307
Cash in bank accounts	267,804	218,652	486,456
Cash with fiscal agent	-	721,300	721,300
Total cash and cash equivalents	<u>\$ 3,498,111</u>	<u>\$ 939,952</u>	<u>\$ 4,438,063</u>

*Cash in County Treasury*

The School is voluntary participant and therefore maintain a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$3,230,307 as of June 30, 2020). 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 Schools’ 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.

*Cash with Fiscal Agent*

The Corporation maintains a portion of their cash (\$721,300 as of June 30, 2020) with the U.S. Bank National Association. The funds are held by the U.S. Bank for bond payments.



**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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*Cash in Bank*

The remainder of the School's cash (\$1,207,756 as of June 30, 2020) is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest-bearing accounts that are fully insured by the FDIC. As of June 30, 2020, the School held \$471,300 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, 2020, accounts receivable consisted of the following:

	Literacy First Charter School
State Government	
State Aid	\$ 1,504,530
Lottery Funding	90,594
Special Education	147,436
Local Government	
Property tax payments	1,793
Other Local Sources	
Interest	42,922
Other local sources	66,927
Total Accounts Receivable	\$ 1,854,202

**F. Prepaid Expenses**

As of June 30, 2020, prepaid expenses consisted of the following:

	Prepaid Expenses
Prepaid rent	\$ 420,180
Total Prepaid Expenses	\$ 420,180

**G. Security Deposit**

As of June 30, 2020, the School had security deposits in the amount of \$150,824.

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

**H. Property and Equipment**

Property and equipment for Literacy First Charter School consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 4,858,045	\$ 344,919	\$ -	\$ 5,202,964
Work in Progress	1,929,740	-	9,121	1,920,619
Total Non-Depreciable Capital Assets	<u>6,787,785</u>	<u>344,919</u>	<u>9,121</u>	<u>7,123,583</u>
<b>Depreciable Capital Assets</b>				
Equipment, Furniture, and Fixtures	953,507	53,325	-	1,006,832
Total Depreciable Capital Assets	<u>953,507</u>	<u>53,325</u>	<u>-</u>	<u>1,006,832</u>
Total Capital Assets	7,741,292	398,244	9,121	8,130,415
Less Accumulated Depreciation	<u>(391,743)</u>	<u>(116,114)</u>	<u>-</u>	<u>(507,857)</u>
Capital Assets, Net	<u>\$ 7,349,549</u>	<u>\$ 282,130</u>	<u>\$ 9,121</u>	<u>\$ 7,622,558</u>

Property and equipment for Literacy First Charter School Issuer LLC consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	\$ 4,988,014	\$ 8,538,299	\$ -	\$ 13,526,313
Total Depreciable Capital Assets	<u>4,988,014</u>	<u>8,538,299</u>	<u>-</u>	<u>13,526,313</u>
Total Capital Assets	4,988,014	8,538,299	-	13,526,313
Less Accumulated Depreciation	<u>(1,982,971)</u>	<u>(479,557)</u>	<u>-</u>	<u>(2,462,528)</u>
Capital Assets, Net	<u>\$ 3,005,043</u>	<u>\$ 8,058,742</u>	<u>\$ -</u>	<u>\$ 11,063,785</u>

Combined property and equipment consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 4,858,045	\$ 344,919	\$ -	\$ 5,202,964
Work in Progress	1,929,740	-	9,121	1,920,619
Total Non-Depreciable Capital Assets	<u>6,787,785</u>	<u>344,919</u>	<u>9,121</u>	<u>7,123,583</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	4,988,014	8,538,299	-	13,526,313
Equipment, Furniture, and Fixtures	953,507	53,325	-	1,006,832
Total Depreciable Capital Assets	<u>5,941,521</u>	<u>8,591,624</u>	<u>-</u>	<u>14,533,145</u>
Total Capital Assets	12,729,306	8,936,543	9,121	21,656,728
Less Accumulated Depreciation	<u>(2,374,714)</u>	<u>(595,671)</u>	<u>-</u>	<u>(2,970,385)</u>
Capital Assets, Net	<u>\$ 10,354,592</u>	<u>\$ 8,340,872</u>	<u>\$ 9,121</u>	<u>\$ 18,686,343</u>

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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**I. Unearned Revenue**

At year end the School had performance obligations remaining to expend funds for the Title I program. As such, unexpended cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year end June 30, 2020:

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

**J. Bonds and Notes Payable**

*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:

Bond Component	Rate	Amount	Maturity Date
2019 Series A Revenue Bonds	5.00%	7,450,000	12/1/2049
2019 Series B Revenue Bonds	4.75%	3,180,000	12/1/2030

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 in the amount of \$18,130 through the life of the bond.

Bonds payable consist of the following at June 30, 2020:

Principal amount		\$ 10,630,000	
Unamortized premium		1,244,783	
		<u>\$ 11,874,783</u>	

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

Future maturities of bonds payable are as follows:

Year Ended June 30	Principal	Interest	Total
2021	200,000	518,800	718,800
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
2026-2030	1,400,000	2,196,426	3,596,426
2031-2035	1,665,000	1,783,025	3,448,025
2036-2040	1,550,000	1,430,000	2,980,000
2041-2045	1,980,000	990,750	2,970,750
2046-2050	2,935,000	417,875	3,352,875
Total	10,630,000	9,309,952	19,939,952

**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, 2019	\$ 14,655,755	\$ 104,221
Adjustments to Beginning Net Assets		
Correction for cash balances	50,224	-
Reclassification of LLC net assets	(1,582,889)	1,582,889
Total adjustments to beginning net assets	(1,532,665)	1,582,889
Adjusted beginning net assets	\$ 13,123,090	\$ 1,687,110

**L. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods on June 30, 2020:

Subject to expenditure for specified purpose:	
Educational Programs	\$ 228,464
Capital Projects	296,038
Professional Development Block Grant	4,503
	529,005
Total net assets with donor restrictions	\$ 529,005

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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**M. Operating Lease**

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
2021	\$ 723,839
2022	724,058
2023	723,816
2024	723,090
2025	724,800
2026-2030	3,899,345
2031-2035	3,207,891
2036-2040	2,416,367
2041-2045	3,020,837
2046-2050	3,072,318
Total minimum lease payments	\$ 19,236,361

Rent expense for the year ended June 30, 2020 totaled \$1,517,668.

**N. 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.

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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 2020, 2019 and 2018 is for the plan’s year-end at June 30, 2020, 2019 and 2018, 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 2018 to 2019 by 23% followed by an additional increase in 2020 of 19%. Literacy First Charter School increased in CalPERS contributions from 2018 to 2019 by 38% followed by an additional increase in 2020 of 12%. The increase in 2019 & 2020 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
		2020	2019	2018	
CalSTRS	37012	Yellow	Yellow	Yellow	No
CalPERS	5817850904	Yellow	Yellow	Yellow	No

  

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2020	2019	2018		
CalSTRS	\$ 1,322,397	\$ 1,107,834	\$ 902,646	120	No
CalPERS	344,560	307,820	223,804	54	No
Total	<u>\$ 1,666,957</u>	<u>\$ 1,415,654</u>	<u>\$ 1,126,450</u>	<u>174</u>	

**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, 2020, 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 17.10% 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, 2020 the State contributed \$735,799 (10.238% of certificated salaries) on behalf of the Schools.

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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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 2019-20 was 19.721% of classified salaries. The School made contributions as noted above.

**O. 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:

1. FASB ASU 2016-02 *Leases (Topic 842)* – Effective Fiscal Year Ending June 30, 2022
2. FASB ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* – Effective Fiscal Year Ending June 30, 2024
3. FASB ASU 2017-04 *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* – Effective Fiscal Year Ending June 30, 2024
4. FASB ASU 2017-08 *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* – Effective Fiscal Year Ending June 30, 2021
5. FASB ASU 2017-11 *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope exception.* – Effective Fiscal Year Ending June 30, 2021
6. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* – Effective Fiscal Year Ending June 30, 2022
7. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842* – Effective Fiscal Year Ending June 30, 2022
8. FASB ASU 2018-07 *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting.* – Effective Fiscal Year Ending June 30, 2021.
9. FASB ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* – Effective Fiscal Year Ending June 30, 2021
10. FASB ASU 2018-10 *Codification Improvements to Topic 842, Leases* – Effective Fiscal Year Ending June 30, 2022
11. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements* – Effective Fiscal Year Ending June 30, 2022
12. FASB ASU 2018-12 *Financial Service – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* – Effective Fiscal Year Ending June 30, 2025

**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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13. FASB ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* – Effective Fiscal Year Ending June 30, 2021
14. FASB ASU 2018-14 *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* – Effective Fiscal Year Ending June 30, 2023
15. FASB ASU 2018-15 *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)* – Effective Fiscal Year Ending June 30, 2022
16. FASB ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* – Effective Fiscal Year Ending June 30, 2022
17. FASB ASU 2018-17 *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* – Effective Fiscal Year Ending June 30, 2021
18. FASB ASU 2018-18 *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* – Effective Fiscal Year Ending June 30, 2022
19. FASB ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
20. FASB ASU 2018-20 *Leases (Topic 842): Narrow Scope Improvements for Lessors* – Effective Fiscal Year Ending June 30, 2022
21. FASB ASU 2019-01 *Leases (Topic 842): Codification Improvements* – Effective Fiscal Year Ending June 30, 2022.
22. FASB ASU 2019-02 *Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Emerging Issues Task Force* – Effective Fiscal Year Ending June 30, 2022
23. FASB ASU 2019-03 *Not-For-Profit Entities (Topic 958): Updating the Definition of Collections* – Effective Fiscal Year Ending June 30, 2021
24. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* – Effective Fiscal Year Ending June 30, 2021
25. FASB ASU 2019-05 *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief* – Effective Fiscal Year Ending June 30, 2021
26. FASB ASU 2019-08 *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements – Share Based Consideration Payable to a Customer* – Effective Fiscal Year Ending June 30, 2021
27. FASB ASU 2019-09 *Financial Services – Insurance (Topic 944): Effective Date* – Effective Fiscal Year Ending June 30, 2025
28. FASB ASU 2019-10 *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* - Effective Fiscal Years Ending June 30, 2022 and June 30, 2024
29. FASB ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
30. FASB ASU 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* – Effective Fiscal Year Ending June 30, 2024



**LITERACY FIRST CHARTER SCHOOL**  
Notes to the Financial Statements (Continued)  
Year Ended June 30, 2020

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31. FASB ASU 2020-01 *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)*. – Effective Fiscal Year Ending June 30, 2022
32. FASB ASU 2020-03 *Codification Improvements to Financial Instruments* – Effective Fiscal Years Ending June 30, 2021 and June 30, 2024

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.

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

In March 2020 the World Health School declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Literacy First Charter School from March 16, 2020 and continuing into the Fall of 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses can be re-opened. Under state and county health guidelines, policies, and procedures and current California Education Code provisions, Literacy First Charter Schools reopened its campuses for onsite instruction on September 8, 2020, the first day of the 2020-21 LFCS school year, while maintaining a distance learning program for families who did not want to send their children to campus for onsite instruction due to COVID-19 related concerns. Kindergarten through grade 5 students either attend school onsite for full days of school five days per week according to the school calendar or distance learn from home. Students in grades 6-12 participate in either a hybrid learning program where they attend school two or three days per week and distance learn the other two or three days depending on the calendar or participate in a distance learning program where they conduct all of their learning remotely according to the school calendar. To date, the school continues to provide this combination of onsite and distance learning for all of its Kindergarten through twelfth grade students. As of March 30, 2021 LFCS will be returning to 100% on site learning for all K-12 students at our Primary Academy, Liberty Academy, Junior Academy, and Liberty Charter High School campuses by April 19, 2021.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. Literacy First Charter School has established a re-opening plan that they believe will provide a safe environment for the students and teachers.

The federal and state government have provided schools with temporary funds to assist in the additional costs that resulted from the COVID-19 pandemic. Additionally, for the 2019-20 fiscal year, the state placed all schools in a hold harmless state shifting attendance reporting periods to a point prior to the pandemic to prevent sudden losses of attendance from impacting funding for the 2019-20 fiscal year. Finally, funding for the 2020-21 fiscal year is frozen at amounts provided in 2019-20, with adjustments based on the Governor's budget. The School has established their 2020-21 budget with this in consideration.

## Supplementary Information

**Literacy First Charter School**  
Consolidating Statement of Financial Position  
June 30, 2020

	Literacy First Charter School	Literacy First Charter School Issuer LLC	Elimination	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 3,498,111	\$ 939,952	\$ -	\$ 4,438,063
Accounts receivable	1,854,202	-	-	1,854,202
Prepaid expenses	420,180	-	-	420,180
Security deposits	150,824	-	-	150,824
Bond issuance costs	-	688,130	-	688,130
Property and equipment, net	7,622,558	11,063,785	-	18,686,343
Total Assets	<u>\$ 13,545,875</u>	<u>\$ 12,691,867</u>	<u>\$ -</u>	<u>\$ 26,237,742</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable - vendors	\$ 219,100	\$ -	\$ -	\$ 219,100
Accrued expenses and other liabilities	123,202	-	-	123,202
Unearned revenue	10,151	-	-	10,151
Bonds and notes payable	-	11,874,783	-	11,874,783
Total Liabilities	<u>352,453</u>	<u>11,874,783</u>	<u>-</u>	<u>12,227,236</u>
<b>Net Assets</b>				
<b>Without donor restrictions</b>				
Undesignated	5,041,859	1,628,082	-	6,669,941
Invested in property and equipment, net of related debt	7,622,558	(810,998)	-	6,811,560
	<u>12,664,417</u>	<u>817,084</u>	<u>-</u>	<u>13,481,501</u>
<b>With donor restrictions</b>				
Restricted for federal programs	24,340	-	-	24,340
Restricted for state programs	504,665	-	-	504,665
	<u>529,005</u>	<u>-</u>	<u>-</u>	<u>529,005</u>
Total Net Assets	<u>13,193,422</u>	<u>817,084</u>	<u>-</u>	<u>14,010,506</u>
Total Liabilities and Net Assets	<u>\$ 13,545,875</u>	<u>\$ 12,691,867</u>	<u>\$ -</u>	<u>\$ 26,237,742</u>

## Literacy First Charter School

Consolidating Statement of Activities

June 30, 2020

	Literacy First Charter School		Literacy First Charter School Issuer LLC		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
<b>Revenue, Support, and Gains</b>					
Local Control Funding Formula (LCFF) sources					
State aid	\$ 10,211,848	\$ -	\$ -	\$ -	\$ 10,211,848
Education protection account state aid	2,208,463	-	-	-	2,208,463
Transfers in lieu of property taxes	3,600,012	-	-	-	3,600,012
Total LCFF sources	<u>16,020,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,020,323</u>
State contracts and grants	658,979	587,231	-	-	1,246,210
Local contracts and grants	131,635	-	-	-	131,635
Rental income	-	-	171,788	-	171,788
Interest income	85,326	-	-	-	85,326
Net assets released from restriction -					
Grant restrictions satisfied	580,399	(580,399)	-	-	-
Total revenue, support, and gains	<u>17,476,662</u>	<u>6,832</u>	<u>171,788</u>	<u>-</u>	<u>17,655,282</u>
<b>Expenses and Losses</b>					
Program services expense	14,280,347	-	1,041,814	-	15,322,161
Supporting services expense	3,132,815	-	-	-	3,132,815
Total expenses and losses	<u>17,413,162</u>	<u>-</u>	<u>1,041,814</u>	<u>-</u>	<u>18,454,976</u>
<b>Change in Net Assets</b>	63,500	6,832	(870,026)	-	(799,694)
<b>Net Assets, Beginning of Year*</b> (Note X)	<u>12,600,917</u>	<u>522,173</u>	<u>1,687,110</u>	<u>-</u>	<u>14,810,200</u>
<b>Net Assets, End of Year</b>	<u>\$ 12,664,417</u>	<u>\$ 529,005</u>	<u>\$ 817,084</u>	<u>\$ -</u>	<u>\$ 14,010,506</u>

**Literacy First Charter School**  
Consolidating Statement of Functional Expenses  
June 30, 2020

	Literacy First Charter School		Literacy First Charter School Issuer LLC	
	Program Services	Supporting Services	Program Services	
	Educational Programs	Management and General	Educational Programs	Total
Salaries and Wages	\$ 8,402,106	\$ 2,039,257	\$ -	\$ 10,441,363
Pension expense	1,341,391	325,566	-	1,666,957
Other employee benefits	942,224	228,685	-	1,170,909
Payroll taxes	239,751	58,189	-	297,940
Fees for services:				
Legal	-	29,673	-	29,673
Audit	-	7,700	-	7,700
Professional consulting	151,187	-	-	151,187
District oversight	-	183,061	-	183,061
Other fees	-	35,707	-	35,707
Advertising and promotion	-	52,319	-	52,319
Office expenses	42,614	-	-	42,614
Information technology	150,683	-	-	150,683
Occupancy	1,517,668	-	-	1,517,668
Travel and conferences	34,166	45,915	-	80,081
Interest	-	562	562,257	562,819
Depreciation	116,114	-	479,557	595,671
Insurance	-	105,549	-	105,549
Other expenses:				
Books and supplies	818,741	-	-	818,741
Equipment rental and repair	182,189	-	-	182,189
Student events and expenses	158,943	-	-	158,943
Specialized therapy services	181,381	-	-	181,381
Miscellaneous	1,189	20,632	-	21,821
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 14,280,347</b>	<b>\$ 3,132,815</b>	<b>\$ 1,041,814</b>	<b>\$ 18,454,976</b>

# LITERACY FIRST CHARTER SCHOOL

Organization Structure  
Year Ended June 30, 2020

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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.

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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 Expires June 30, 2021
Lori Ague	Secretary/Treasurer	Permanent Expires June 30, 2022
Priscilla Schreiber	Trustee	Permanent Expires June 30, 2022
Mark Ferguson	Trustee	Permanent Expires June 30, 2021
Lucy Razooky	Trustee	Permanent Expires June 30, 2022

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## ADMINISTRATION

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Debbie Beyer  
Executive Director

Jerry Keough  
Financial Officer

**LITERACY FIRST CHARTER SCHOOL**

Schedule of Average Daily Attendance

Year Ended June 30, 2020

	Second Period Report		Annual Report	
	Original F212B16F	Revised N/A	Original 09371F8D	Revised N/A
<b>Classroom Based Attendance</b>				
Grades K-3	645.85	N/A	645.85	N/A
Grades 4-6	448.18	N/A	448.18	N/A
Grades 7-8	238.41	N/A	238.41	N/A
Grades 9-12	323.04	N/A	323.04	N/A
<b>Total Classroom Based Attendance</b>	<b>1,655.48</b>	<b>N/A</b>	<b>1,655.48</b>	<b>N/A</b>
<b>Non-Classroom Based Attendance</b>				
Grades K-3	28.17	N/A	28.17	N/A
Grades 4-6	11.11	N/A	11.11	N/A
Grades 7-8	10.62	N/A	10.62	N/A
Grades 9-12	-	N/A	-	N/A
<b>Total Non-Classroom Based Attendance</b>	<b>49.90</b>	<b>N/A</b>	<b>49.90</b>	<b>N/A</b>
<b>Total ADA</b>	<b>1,705.38</b>	<b>N/A</b>	<b>1,705.38</b>	<b>N/A</b>

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

On March 17, 2020 Governor Newsom signed Senate Bill (SB) 117 which mitigated the effect of lost attendance due to COVID19 that occurred after February 29, 2020. For the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID19, this legislation provided that the ADA used for both the second period (P2) and the Annual period apportionment include all full school months from July 1, 2019 to February 29, 2020 for all local education agencies (LEAs).

**LITERACY FIRST CHARTER SCHOOL**

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	Minutes Requirement	2019-20 Actual Minutes	2019-20 COVID-19 Closure Minutes	2019-20 Total Instructional Minutes	2019-20 Actual School Days	2019-20 COVID-19 Closure Days	2019-20 Total School Days	Status
Kindergarten	36,000	42,580	20,870	63,450	122	59	181	Complied
1st Grade	50,400	43,110	25,080	68,190	122	59	181	Complied
2nd Grade	50,400	43,110	25,080	68,190	122	59	181	Complied
3rd Grade	50,400	43,110	25,080	68,190	122	59	181	Complied
4th Grade	54,000	43,110	25,080	68,190	122	59	181	Complied
5th Grade	54,000	43,110	25,080	68,190	122	59	181	Complied
6th Grade	54,000	44,700	25,080	69,780	122	59	181	Complied
7th Grade	54,000	44,700	25,080	69,780	122	59	181	Complied
8th Grade	54,000	44,700	25,080	69,780	122	59	181	Complied
9th Grade	64,800	45,925	20,505	66,430	122	59	181	Complied
10th Grade	64,800	45,925	20,505	66,430	122	59	181	Complied
11th Grade	64,800	45,925	20,505	66,430	122	59	181	Complied
12th Grade	64,800	45,925	20,505	66,430	122	59	181	Complied

Due to COVID-19 the District closed campus on March 16, 2020 through the end of the school year. Distance learning was provided to students for school days during the closure. This schedule has been reflected based on the original approved calendar and instructional time planned by the District for the 2019-20 fiscal year.



**LITERACY FIRST CHARTER SCHOOL**

## Schedule of Financial Trends and Analysis

Year Ended June 30, 2020

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	Budget 2021	2020	2019	2018
Revenues	\$ 20,937,643	\$ 17,655,282	\$ 17,515,615	\$ 16,219,818
Expenses	18,846,978	18,183,145	17,168,981	15,264,319
Change in Net Assets	2,090,665	(527,863)	346,634	955,499
Ending Net Assets	<u>\$ 16,373,002</u>	<u>\$ 14,282,337</u>	<u>\$ 14,810,200</u>	<u>\$ 14,463,566</u>
Unrestricted Net Assets	<u>\$ 16,373,002</u>	<u>\$ 14,079,640</u>	<u>\$ 13,123,090</u>	<u>\$ 14,403,966</u>
Unrestricted net assets as a percentage of total expenses	<u>86.87%</u>	<u>77.43%</u>	<u>76.43%</u>	<u>94.36%</u>
Total Long Term Debt	<u>\$ 11,674,783</u>	<u>\$ 11,874,783</u>	<u>\$ 2,839,429</u>	<u>\$ 2,718,751</u>
ADA at P2	<u>1,705</u>	<u>1,705</u>	<u>1,606</u>	<u>1,599</u>

Literacy First Charter School's ending net assets has decreased by \$181,229 (1.25%) over the past two fiscal years. The decrease is due to the increase in expenditures at a greater rate than revenues. The average daily attendance (ADA) reported by the School has increased by 106 (6.63%) over the past two years. The 2020-21 fiscal year budget projects an increase in net assets of \$2,090,665 (14.64%) and no change in ADA for the 2021 school year.

**LITERACY FIRST CHARTER SCHOOL**

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements  
Year Ended June 30, 2020

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June 30, 2020 annual financial alternative form net assets:	\$ 14,952,295
Adjustments and reclassifications:	
Overstatement of cash	(913,572)
Overstatement of capital assets	(3,504,530)
Overstatement of long term debt	2,659,227
Rounding	<u>2</u>
Total adjustments and reclassifications	<u>(1,758,873)</u>
June 30, 2020 audited financial statements net assets:	<u>\$ 13,193,422</u>

## LITERACY FIRST CHARTER SCHOOL

Notes to Supplementary Information  
Year Ended June 30, 2020

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### A. Purpose of Schedules

#### Consolidating Statement of Financial Position

This schedule provides the information by school which combines into the School's overall statement of net position, with eliminations for activities between the schools within the School.

#### Consolidating Statement of Activities

This schedule provides the information by school which combines into the School's overall statement of activities.

#### Consolidating Statement of Functional Expenses

This schedule provides the information by school which combines into the School's overall statement of functional expenses.

#### Organization Structure

This schedule provides information about the Schools' charter numbers, district of authorization, members of the governing board, and members of administration.

#### Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure of the number of pupils attending classes of the 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.

#### Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 47612.5.

#### Schedule of Financial Trends and Analysis

Budget information for 2021 is presented for analysis purposes only and is based on estimates of the 2020-21 fiscal year. The information has not been subject to audit.

This schedule discloses the School(s) financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

#### Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Forms prepared by the School to the net assets reported in the audited financial statements.

## Other Independent Auditors' 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 Education  
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 consolidated financial statements of Literacy First Charter School, as of and for the year ended June 30, 2020, and the related notes to the consolidated financial statements, which collectively comprise Literacy First Charter School's basic consolidated financial statements, and have issued our report thereon dated March 29, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Literacy First Charter School'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 Literacy First Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Literacy First Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 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 Literacy First Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Literacy First Charter School's Response to the Findings

Literacy First Charter School's response to the finding identified in our audit is described in the accompanying corrective action plan. Literacy First Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Wilkinson Hadley King + LLP*

El Cajon, California  
March 29, 2021

## Independent Auditor's Report on State Compliance

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

### **Report on State Compliance**

We have audited the Literacy First Charter School's compliance with the types of compliance requirements described in the *2019-20 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, 2020.

### **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 State's Audit Guide *2019-20 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 State's audit guide *2019-20 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.....	N/A
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
D. Independent Study.....	N/A
E. Continuation Education.....	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
M. Juvenile Court Schools.....	N/A
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
P. Transportation Maintenance of Effort.....	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
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
<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
EE. Annual Instructional Minutes - Classroom Based.....	Yes
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, Literacy First Charter 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, 2020.

## 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 *2019-20 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 + LLP*

El Cajon, California  
March 29, 2021

## Auditor's Results, Findings & Recommendations

**LITERACY FIRST CHARTER SCHOOL**

Schedule of Auditor's Results

Year Ended June 30, 2020

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**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?  X  Yes   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

**STATE AWARDS**

Any audit findings disclosed that are required to be reported in accordance with *2019-20 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, 2020

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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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**

2020-001 Financial Close (30000)

Criteria

Determine if internal controls are designed properly and operating effectively to ensure accurate reporting of financial information.

Condition

In our review of the financial statements we identified the financial accounts for Literacy First Charter School Issuer LLC were not separated from the School’s financials. The LLC should have it’s own bank account and transactions between the School and the LLC should be arms length and involve actual transfer of funds for lease payments.

Cause

The School was unaware of the requirement to have separate books for the School and the LLC. The audit report has been consolidated so they believed that consolidating the financials was allowable.

Effect

The financial statements for the School were not correct on reporting documents. The LLC’s operating revenue and expenses had not been separated so the cumulative effect on the LLC’s net assets had been combined with the School’s net assets. This required an adjustment in beginning net assets for both the School and the LLC.

Context

Charter Schools are not eligible to issue debt such as bonds in California. However, they are able to set up an LLC that handles the debt issuance and lease agreements on behalf of the School.

**LITERACY FIRST CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2020

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Questioned Costs

There are no questioned costs associated with this finding.

Recommendation

We recommend the School create a separate bank account for the LLC. We also recommend that all transactions for bond principal and interest payments be handled through the new LLC account. The lease payments made by School should be sent to the LLC account to fund the bond payments.

LEA Response

On February 19, 2021, officers of Literacy First Charter Schools opened a separate checking account with Mission Federal Credit Union in the name of Literacy First Charter School Issuer, LLC with the deposit of lease payment checks dated February 4, 2021 from Literacy First Charter Schools to Literacy First Charter School Issuer, LLC in the amount of the March 2021 bond payments. On March 4, 2021, checks in the amount of the monthly bond payments were written from the Literacy First Charter School Issuer, LLC checking account payable to US Bank. All transactions for bond principal and interest payments will be handled in this manner going forward.

**B. State Award Findings**

None

**LITERACY FIRST CHARTER SCHOOL**

Schedule of Prior Year Audit Findings

Year Ended June 30, 2020

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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