

**CITY CHARTER SCHOOLS**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**

**OPERATING:**

**CITY LANGUAGE IMMERSION CHARTER (CLIC) #1538**  
**THE CITY SCHOOL (TCS) #1710**

**4001 VENICE, LLC (LLC1)**  
**CCS FACILITIES, LLC (LLC2)**



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
City Charter Schools  
Los Angeles, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of City Charter Schools (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Charter Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibility for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

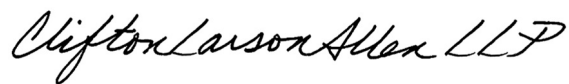
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the School’s financial statements as a whole. The CLIC, TCS, LLC1, LLC2, CMO and Eliminations columns in the statements of financial position, activities, and cash flows as well as the supplementary information (as identified in the table of contents) accompanying supplementary schedules, and 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* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and, except for the portion marked “unaudited”, 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. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated March 27, 2023 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 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.



**CliftonLarsonAllen LLP**

Glendora, California  
March 27, 2023

**CITY CHARTER SCHOOLS  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

<b>ASSETS</b>	<u>CLIC</u>	<u>TCS</u>	<u>LLC1</u>	<u>LLC2</u>	<u>CMO</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 2,092,180	\$ 489,328	\$ 55,331	\$ 2,756	\$ 153,974	\$ -	\$ 2,793,569
Accounts Receivable - Federal and State	559,200	532,955	-	-	-	-	1,092,155
Accounts Receivable - Other	349,875	121,759	45,622	-	11,759	-	529,015
Intercompany Accounts Receivable	346,451	87,287	-	-	-	(433,738)	-
Prepaid Expenses and Other Assets	32,731	17,330	-	52,000	10,052	-	112,113
Total Current Assets	<u>3,380,437</u>	<u>1,248,659</u>	<u>100,953</u>	<u>54,756</u>	<u>175,785</u>	<u>(433,738)</u>	<u>4,526,852</u>
<b>LONG-TERM ASSETS</b>							
Restricted Cash and Cash Equivalents	350,000	-	828,625	-	-	-	1,178,625
Property, Plant, and Equipment, Net	93,651	58,869	10,421,993	622	4,559	-	10,579,694
Deferred Rent Asset	116,788	-	-	-	-	(116,788)	-
Total Long-Term Assets	<u>560,439</u>	<u>58,869</u>	<u>11,250,618</u>	<u>622</u>	<u>4,559</u>	<u>(116,788)</u>	<u>11,758,319</u>
Total Assets	<u>\$ 3,940,876</u>	<u>\$ 1,307,528</u>	<u>\$ 11,351,571</u>	<u>\$ 55,378</u>	<u>\$ 180,344</u>	<u>\$ (550,526)</u>	<u>\$ 16,285,171</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Accounts Payable and Accrued Liabilities	\$ 249,053	\$ 504,749	\$ -	\$ -	\$ 36,478	\$ -	\$ 790,280
Line of Credit	-	350,000	-	-	-	-	350,000
Intercompany Accounts Payable	-	198,414	-	62,816	172,508	(433,738)	-
Deferred Revenue	450,592	245,774	-	-	-	-	696,366
Bonds Payable, Current Portion	-	-	175,000	-	-	-	175,000
Deferred Rent Liability, Current Portion	-	-	118,182	-	-	(116,788)	1,394
Total Current Liabilities	<u>699,645</u>	<u>1,298,937</u>	<u>293,182</u>	<u>62,816</u>	<u>208,986</u>	<u>(550,526)</u>	<u>2,013,040</u>
<b>LONG-TERM LIABILITIES</b>							
Bonds Payable, Net of Current Portion	-	-	12,032,392	-	-	-	12,032,392
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>12,032,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,032,392</u>
Total Liabilities	699,645	1,298,937	12,325,574	62,816	208,986	(550,526)	14,045,432
<b>NET ASSETS</b>							
Without Donor Restrictions	3,241,231	8,591	(974,003)	(7,438)	(28,642)	-	2,239,739
Total Net Assets	<u>3,241,231</u>	<u>8,591</u>	<u>(974,003)</u>	<u>(7,438)</u>	<u>(28,642)</u>	<u>-</u>	<u>2,239,739</u>
Total Liabilities and Net Assets	<u>\$ 3,940,876</u>	<u>\$ 1,307,528</u>	<u>\$ 11,351,571</u>	<u>\$ 55,378</u>	<u>\$ 180,344</u>	<u>\$ (550,526)</u>	<u>\$ 16,285,171</u>

See accompanying Notes to Consolidated Financial Statements.

**CITY CHARTER SCHOOLS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	<u>CLIC</u>	<u>TCS</u>	<u>LLC1</u>	<u>LLC2</u>	<u>CMO</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES WITHOUT DONOR RESTRICTIONS</b>							
State Revenue:							
State Aid	\$ 2,418,460	\$ 1,495,418	\$ -	\$ -	\$ -	\$ -	\$ 3,913,878
Other State Revenue	927,981	979,707	-	-	-	-	1,907,688
Federal Revenue:							
Grants and Entitlements	731,142	753,237	-	-	-	-	1,484,379
Local Revenue:							
In-Lieu Property Tax Revenue	1,127,343	772,639	-	-	-	-	1,899,982
Contributions	152,890	53,069	-	-	39,933	-	245,892
Interest	-	-	675	-	-	-	675
PPP Loan Forgiveness	509,245	440,133	-	-	48,122	-	997,500
Other Revenue	-	-	766,725	415,621	457,576	(1,638,239)	1,683
Net Assets Released from Restrictions	-	-	-	-	8,117	-	8,117
Total Revenues Without Donor Restrictions	<u>5,867,061</u>	<u>4,494,203</u>	<u>767,400</u>	<u>415,621</u>	<u>553,748</u>	<u>(1,638,239)</u>	<u>10,459,794</u>
<b>EXPENSES</b>							
Program Services	4,228,409	3,365,141	178,732	315,659	310,493	(910,976)	7,487,458
Management and General	1,516,237	1,254,243	636,300	96,857	253,714	(727,263)	3,030,088
Total Expenses	<u>5,744,646</u>	<u>4,619,384</u>	<u>815,032</u>	<u>412,516</u>	<u>564,207</u>	<u>(1,638,239)</u>	<u>10,517,546</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	122,415	(125,181)	(47,632)	3,105	(10,459)	-	(57,752)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>							
Net Assets Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,117)</u>	<u>-</u>	<u>(8,117)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,117)</u>	<u>-</u>	<u>(8,117)</u>
<b>CHANGE IN NET ASSETS</b>	122,415	(125,181)	(47,632)	3,105	(18,576)	-	(65,869)
Net Assets - Beginning of Year	<u>3,118,816</u>	<u>133,772</u>	<u>(926,371)</u>	<u>(10,543)</u>	<u>(10,066)</u>	<u>-</u>	<u>2,305,608</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,241,231</u>	<u>\$ 8,591</u>	<u>\$ (974,003)</u>	<u>\$ (7,438)</u>	<u>\$ (28,642)</u>	<u>\$ -</u>	<u>\$ 2,239,739</u>

See accompanying Notes to Consolidated Financial Statements.

**CITY CHARTER SCHOOLS  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Eliminations</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 3,384,946	\$ 1,062,578	\$ -	\$ 4,447,524
Pension Expense	538,076	14	-	538,090
Other Employee Benefits	542,548	23,705	-	566,253
Payroll Taxes	136,442	41,774	-	178,216
Management Fees	-	753,800	-	753,800
Legal Expenses	-	32,259	-	32,259
Accounting Expenses	-	25,899	-	25,899
Instructional Materials	351,849	-	-	351,849
Other Fees for Services	1,278,981	391,550	(455,893)	1,214,638
Advertising and Promotion Expenses	-	12,119	-	12,119
Office Expenses	118,851	183,444	-	302,295
Information Technology Expenses	154,754	12,615	-	167,369
Occupancy Expenses	1,346,676	414,294	(1,182,346)	578,624
Travel Expenses	-	17,596	-	17,596
Conference and Meeting Expenses	55,285	-	-	55,285
Interest Expense	-	565,646	-	565,646
Depreciation Expense	328,773	95,606	-	424,379
Insurance Expense	104,851	31,779	-	136,630
Other Expenses	56,402	92,673	-	149,075
	<u>8,398,434</u>	<u>3,757,351</u>	<u>(1,638,239)</u>	<u>10,517,546</u>
Total Expense by Function				
Eliminations	(910,976)	(727,263)	1,638,239	-
Total Expenses after Eliminations	<u>\$ 7,487,458</u>	<u>\$ 3,030,088</u>	<u>\$ -</u>	<u>\$ 10,517,546</u>

See accompanying Notes to Consolidated Financial Statements.



**CITY CHARTER SCHOOLS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	CLIC	TCS	LLC1	LLC2	CMO	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Change in Net Assets	\$ 122,415	\$ (125,181)	\$ (47,632)	\$ 3,105	\$ (18,576)	\$ -	\$ (65,869)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:							
Depreciation	15,196	72,067	230,562	104,788	1,766	-	424,379
PPP Loan Forgiveness	(515,207)	(445,286)	-	-	(48,685)	-	(1,009,178)
Amortization of Debt Issue Costs and Premium	-	-	(18,080)	-	-	-	(18,080)
Change in Operating Assets:							
Accounts Receivable - Federal and State	598,390	423,258	-	-	-	-	1,021,648
Accounts Receivable - Other	(118,537)	(45,705)	(2,385)	-	12,827	-	(153,800)
Intercompany Accounts Receivable	(78,419)	13,758	-	-	51,087	13,574	-
Prepaid Expenses and Other Assets	50,466	68,795	-	-	6,972	-	126,233
Deferred Rent Asset	1,519	73,838	-	-	-	(75,357)	-
Change in Operating Liabilities:							
Accounts Payable and Accrued Liabilities	54,601	178,124	-	-	(94,743)	-	137,982
Intercompany Accounts Payable	(51,087)	(69,618)	-	-	134,279	(13,574)	-
Deferred Rent Liability	-	-	(125)	(107,893)	-	75,357	(32,661)
Deferred Revenue	239,157	(184,587)	(2,976)	-	-	-	51,594
Net Cash Provided (Used) by Operating Activities	<u>318,494</u>	<u>(40,537)</u>	<u>159,364</u>	<u>-</u>	<u>44,927</u>	<u>-</u>	<u>482,248</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Purchases of Property, Plant, and Equipment	(20,910)	(58,119)	-	-	(2,486)	-	(81,515)
Net Cash Used by Investing Activities	<u>(20,910)</u>	<u>(58,119)</u>	<u>-</u>	<u>-</u>	<u>(2,486)</u>	<u>-</u>	<u>(81,515)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Repayments of Debt	-	-	(165,000)	-	-	-	(165,000)
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(165,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	297,584	(98,656)	(5,636)	-	42,441	-	235,733
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>2,144,596</u>	<u>587,984</u>	<u>889,592</u>	<u>2,756</u>	<u>111,533</u>	<u>-</u>	<u>3,736,461</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 2,442,180</u></u>	<u><u>\$ 489,328</u></u>	<u><u>\$ 883,956</u></u>	<u><u>\$ 2,756</u></u>	<u><u>\$ 153,974</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,972,194</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CITY CHARTER SCHOOLS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	<u>CLIC</u>	<u>TCS</u>	<u>LLC1</u>	<u>LLC2</u>	<u>CMO</u>	<u>Eliminations</u>	<u>Total</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>							
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,420</u>
<b>RECONCILIATION TO STATEMENT OF FINANCIAL POSITION</b>							
Cash and Cash Equivalents	\$ 2,092,180	\$ 489,328	\$ 55,331	\$ 2,756	\$ 153,974	\$ -	\$ 2,793,569
Restricted Cash and Cash Equivalents	350,000	-	828,625	-	-	-	1,178,625
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 2,442,180</u>	<u>\$ 489,328</u>	<u>\$ 883,956</u>	<u>\$ 2,756</u>	<u>\$ 153,974</u>	<u>\$ -</u>	<u>\$ 3,972,194</u>

See accompanying Notes to Consolidated Financial Statements.

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

City Charter Schools (the School) is a nonprofit, California public benefit corporation formed to operate public charter schools in Los Angeles, California. The organization is comprised of the Charter Management Organization (CMO), 4001 Venice LLC (LLC1), CCS Facilities LLC (LLC2), The City School (TCS) and the City Language Immersion Charter (CLIC). CCMS began serving students in grades 6 and 7 in August 2012. CCMS was closed as of June 30, 2016 and the School began to operate under the high school's charter under the name of The City School (TCS). CLIC was granted a charter in May 2013 and began serving students in Kindergarten and 2nd grade in September 2013.

The School's charters were granted under the sponsorship of the Los Angeles Unified School District (LAUSD), pursuant to the terms of the Charter Schools Act (The Act) of 1992, as amended. The Act authorizes the formation of charter schools for the purpose of developing new, innovative, and more flexible ways of educating children within the public school system. The School is funded principally through State of California public education monies received through the California Department of Education.

**Principles of Consolidation**

The consolidated financial statements include the accounts of City Charter Schools and its single member limited liability company subsidiaries: 4001 Venice LLC and CCS Facilities LLC. All material intercompany transactions have been eliminated.

**Basis of Accounting**

The consolidated financial statements have been prepared on the accrual method of accounting and accordingly, reflect all significant receivables and liabilities.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include salaries and wages, pension, benefits, and payroll taxes which are allocated based on estimates of time and effort. Other fees for service, office expenses, information technology, occupancy, depreciation, and insurance are allocated based on usage.

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**Restricted Cash and Cash Equivalents**

The School holds restricted cash and cash equivalents related to bond reserve requirements.

**Net Asset Classes**

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2022. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives range varies from 5 to 50 years.

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Conditional Grants**

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022, the School has conditional grants of \$1,442,058 of which \$696,366 is recognized as Deferred Revenue in the statement of financial position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The entire compensated absences liability is reported on the consolidated statement of financial position. Employees of the School accrue vacation days at a rate based on years of service not to exceed 7.5 days.

**Income Taxes**

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Evaluation of Subsequent Events**

The School has evaluated subsequent events through March 27, 2023, the date these consolidated financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

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

Cash and Cash Equivalents	\$ 2,793,569
Accounts Receivable	1,621,170
Total	<u>\$ 4,414,739</u>

As part of its liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The School maintains cash balances held in banks which are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment in the accompanying consolidated financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$1,000. Depreciation expense for the year ended June 30, 2022 was \$424,379.

The components of property, plant, and equipment as of June 30, 2022 are as follows:

Building	\$ 11,528,081
Leasehold Improvements	696,900
Equipment, Furniture and Fixtures	242,941
Total	<u>12,467,922</u>
Less: Accumulated Amortization	(1,888,228)
Total Property, Plant, and Equipment	<u>\$ 10,579,694</u>

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT**

**Line of Credit**

The School has a revolving line of credit with City National Bank for \$350,000 that carries an interest rate of 1.1%. The line of credit expires in October 2023. There was a balance of \$350,000 outstanding on this line of credit as of June 30, 2022. As collateral for this line of credit, the School has a \$350,000 certificate of deposit that is reported as restricted cash and cash equivalents on the consolidated statement of financial position.

**Bonds Payable**

In September 2016, 4001 Venice LLC (the LLC) obtained financing through the California Municipal Finance Authority (CMFA). The \$12,455,000 loan is to be applied to the cost of acquisition and construction of property for the School in Los Angeles, California. The balance of bonds payable as of June 30, 2022 was \$11,665,000.

The loan agreement requires the School to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 3.75 to 5.00%. The LLC is required to maintain a bond reserve cash account equal to the bond reserve requirement is currently \$828,625. This amount is shown as Restricted Cash and Cash Equivalents on the consolidated statement of financial position. Bonds payable are reported on the consolidated statement of financial position including a premium of \$660,662. The premium is being amortized over the life of the bonds. Amortization of the bonds premium for the year ended June 30, 2022 was \$22,022.

**Paycheck Protection Program Loan**

On April 29, 2020, the School received a loan from MidFirst Bank in the amount of \$997,500 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). In September 2021 the PPP loan was forgiven for the principal amount of \$997,500.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Future maturities of notes and bonds payable is as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2021	175,000
2022	185,000
2023	195,000
2024	205,000
2025	215,000
Thereafter	10,690,000
Total Future Maturities	11,665,000
Unamortized Bond Premium	660,662
Unamortized Cost of Issuance	(118,270)
Total Notes and Bonds Payable	<u><u>\$ 12,207,392</u></u>

**NOTE 6 EMPLOYEE RETIREMENT**

**Multiemployer Defined Benefit Pension Plans**

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California. The risks of participating in these multiemployer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

**State Teachers' Retirement System (STRS)**

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2021, total STRS plan net assets are \$310 billion, the total actuarial present value of accumulated plan benefits is \$414 billion, contributions from all employers totaled \$5.744 billion, and the plan is 73% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826 and [www.calstrs.com](http://www.calstrs.com).



**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS) (Continued)**

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. 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 STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2020	\$ 473,536	100 %
2021	435,161	100 %
2022	538,090	100 %

**NOTE 7 OPERATING LEASES**

The School has a long-term lease for its middle school's mobile facilities in Los Angeles that commenced on September 1, 2018 and expires September 1, 2026. Lease expense under this agreement for the year ended June 30, 2022 was \$91,368.

The School signed a long-term lease for its middle school facilities in Los Angeles that commenced on June 1, 2018 and expires June 30, 2026. Due to an uneven payment schedule, lease expense is accrued on a straight-line basis over the life of the lease. For the year ended June 30, 2022, total lease expense was \$307,729 and payments totaled \$340,931.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 442,524
2024	442,524
2025	442,524
2026	442,524
Total	<u>\$ 1,770,096</u>

**CITY CHARTER SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS**

The School's net assets with donor restrictions and net assets released from restrictions as of and for the year ended June 30, 2022 are as follows:

Purpose Restrictions	
NOVO SEL Grant	8,117
Total Net Assets With Donor Restriction	<u>\$ 8,117</u>

**NOTE 9 SUBSEQUENT EVENTS**

In December 2022, the School's board voted to approve a term sheet with another charter school to transfer CLIC charter school, ownership of the facility at 4001 Venice Blvd., and lease rights to the facility at 5753 Obama Blvd. The board also voted to approve a resolution to materially revise the charter of CLIC and close TCS, effective June 30, 2022.

**NOTE 10 CONTINGENCIES, RISKS, AND UNCERTAINTIES**

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

**SUPPLEMENTARY INFORMATION**

**CITY CHARTER SCHOOLS  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 YEAR ENDED JUNE 30, 2022  
 UNAUDITED  
 (SEE INDEPENDENT AUDITORS' REPORT)**

City Charter Schools (the School) is a nonprofit, California public benefit corporation that manages the following:

City Language Immersion Charter (CLIC) charter number 1538 – Established in 2013.  
 The City School (TCS) charter number 1710 – Established in 2015.

The board of directors and the administrators as of the year ended June 30, 2022 were as follows:

**BOARD OF DIRECTORS**

<u>Member</u>	<u>Office</u>	<u>Term Expires (2 Year Term)</u>
Meredith Esarey	Chair	February 2023
Jessica Shaham	Vice Chair	February 2023
Jenna Flexner	Secretary	March 2023
Kenneth Billups	Member	August 2022
Maria Gabriel	Member	March 2023
Courtney Vickers	Member	August 2022
Paulina Lopez	Member	June 2023
Joseph Crowley	Member	August 2022
David Maestres	Member	June 2023

**ADMINISTRATORS**

Robert Vidaña	Executive Director
Dr. Tyisha J. Noise	TCS Principal
Raul Alarcon	CLIC Founding Principal

*See the accompanying Notes to Supplementary Information.*

**CITY CHARTER SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Instructional Minutes</u>		<u>Traditional Calendar Days</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>		
<u>CLIC</u>				
Kindergarten	36,000	49,620	178	In Compliance
Grade 1	50,400	50,995	178	In Compliance
Grade 2	50,400	50,995	178	In Compliance
Grade 3	50,400	56,740	178	In Compliance
Grade 4	54,000	56,740	178	In Compliance
Grade 5	54,000	56,740	178	In Compliance
<u>TCS</u>				
Grade 6	54,000	56,700	180	In Compliance
Grade 7	54,000	56,700	180	In Compliance
Grade 8	54,000	56,700	180	In Compliance

*See the accompanying Notes to Supplementary Information.*

**CITY CHARTER SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
<u>CLIC</u>				
Grades TK/K-3	241.42	243.49	244.71	244.71
Grades 4-5	110.25	112.38	112.51	112.51
Subtotal	351.67	355.87	357.22	357.22
 <u>TCS</u>				
Grade 6	68.88	68.88	67.84	67.84
Grades 7-8	175.02	175.02	174.39	174.39
Subtotal	243.90	243.90	242.23	242.23
 ADA Totals	595.57	599.77	599.45	599.45

See the accompanying Notes to Supplementary Information.

**CITY CHARTER SCHOOLS  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

	CLIC	TCS
June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 3,404,558	\$ 373,954
Adjustments and Reclassifications:		
Increase (Decrease) of Fund Balance (Net Assets):		
Accounts Receivable - Federal and State	(300,232)	(296,953)
Accounts Receivable - Other	(3,979)	192,915
Prepaid Expenses and Other Assets	(7,806)	-
Property, Plant, and Equipment, Net	-	27
Deferred Rent Asset	(1,794)	-
Accounts Payable and Accrued Liabilities	(52,565)	(470,232)
Deferred Revenue	203,049	208,880
Net Adjustments and Reclassifications	(163,327)	(365,363)
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	\$ 3,241,231	\$ 8,591

*See the accompanying Notes to Supplementary Information.*

**CITY CHARTER SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	COVID-19	CLIC	TCS	Total
<b>U.S. Department of Education</b>						
Pass-Through Program From California Department of Education:						
Every Student Succeeds Act:						
Title I, Part A, Basic Grants: Low-Income and Neglected	84.010	14329		\$ 63,993	\$ 44,594	\$ 108,587
Title II, Part A, Teacher Quality	84.367	14341		11,084	11,840	22,924
Title IV, Student Support and Academic Enrichment Grant Program	84.424	15391		10,000	10,000	20,000
Total				<u>85,077</u>	<u>66,434</u>	<u>151,511</u>
Special Education - IDEA Cluster	84.027	13379		106,740	73,155	179,895
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):						
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	4	14	18
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	209,526	139,757	349,283
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	COVID-19	60,000	314,189	374,189
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	-	29,264	29,264
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	COVID-19	-	6,716	6,716
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	COVID-19	-	19,077	19,077
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	COVID-19	-	32,885	32,885
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>269,530</u>	<u>541,902</u>	<u>811,432</u>
Total U.S. Department of Education				461,347	681,491	1,142,838
<b>U.S. Department of Agriculture</b>						
Pass-Through Program From California Department of Education:						
Child Nutrition Programs Cluster	10.555	N/A		252,268	46,313	298,581
Total U.S. Department of Agriculture				<u>252,268</u>	<u>46,313</u>	<u>298,581</u>
<b>Department of Health and Human Services</b>						
Pass-Through Program From Los Angeles County						
Office of Education:						
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A		17,527	25,433	42,960
Total Department of Health and Human Services				<u>17,527</u>	<u>25,433</u>	<u>42,960</u>
Total Federal Expenditures				<u>\$ 731,142</u>	<u>\$ 753,237</u>	<u>\$ 1,484,379</u>

N/A - Pass-Through entity number not readily available or not applicable.



**CITY CHARTER SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2022**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

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

**NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

Average daily attendance is a measurement of the number of pupils attending classes of 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.

**NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited consolidated financial statements.

**NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2022. The Schedule is presented on the accrual basis of accounting and in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**NOTE 5 INDIRECT COST RATE**

The School has elected to use a rate other than the 10% de minimus indirect cost rate allowed under Uniform Guidance.



**INDEPENDENT AUDITORS' 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***

Board of Directors  
City Charter Schools  
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the consolidated financial statements of City Charter Schools (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated March 27, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the 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 consolidated 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 consolidated 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.

**Report on 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
March 27, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE**

Board of Directors  
City Charter Schools  
Los Angeles, California

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

***Opinion on Each Major Federal Program***

We have audited City Charter Schools' (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

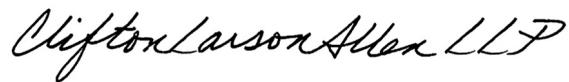
### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



**CliftonLarsonAllen LLP**

Glendora, California  
March 27, 2023



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
City Charter Schools  
Los Angeles, California

### Opinion on State Compliance

We have audited City Charter Schools' (the School) compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2022. The School's State compliance requirements are identified in the table below.

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2022.

### Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### Responsibilities of Management for Compliance

Management is responsible for the compliance with the state laws and regulations as identified below.

### Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to below occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to below and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Compliance Requirements Tested**

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Not Applicable



<u>Description</u>	<u>Procedures Performed</u>
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

**Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
March 27, 2023

**CITY CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

***Identification of Major Federal Programs***

**CFDA Number(s)**

84.425C, 84.425D, 84.425U

**Name of Federal Program or Cluster**

Elementary and Secondary School Relief and Expanded Learning Opportunities

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

**CITY CHARTER SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
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

There were no findings and questions costs related to the basic financial statements, state or federal awards for the year ended June 30, 2022.

**CITY CHARTER SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022**

There were no findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2022.