

**LAYC CAREER ACADEMY  
PUBLIC CHARTER SCHOOL**

**Financial Statements and Supplemental Schedule  
Together with Reports of Independent Public Accountants**

**For the Years Ended June 30, 2018 and 2017**



**SB & COMPANY, LLC**  
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**JUNE 30, 2018 AND 2017**

**CONTENTS**

<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
<b>SUPPLEMENTARY INFORMATION</b>	
Supplemental Schedule of Functional Expenses	13
Supplemental Schedule of Vendors Receiving More Than \$25,000	15
Report of Independent Public Accountants on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Schedule of Current Year Findings and Questioned Costs	18
Schedule of Prior Year Findings and Questioned Costs	19



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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Trustees  
LAYC Career Academy  
Public Charter School

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

We have audited the accompanying statements of financial position of the LAYC Career Academy Public Charter School (the Academy) as of June 30, 2018 and 2017, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditing standards established pursuant to the District of Columbia School Reform Act, Public Law No. 104-134, 110 Stat. 1321-121, 2204(c)(11)(B)(ix)(1996) and the D.C. Official Code 38-1802.04(ii)(B) (2001, as amended). 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.



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***Opinion***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedules of functional expenses and vendors receiving more than \$25,000 are 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 November 29, 2018, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Academy's internal control over financial reporting and compliance.

Washington, DC  
November 29, 2018

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Statements of Financial Position  
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 1,283,313	\$ 1,636,648
Due from LAYC, net	-	81,141
Grant receivables	152,741	-
Other receivables	1,717	-
Prepaid expenses	44,791	53,330
Furniture and equipment, net	74,700	118,807
Security deposit	89,792	70,000
<b>Total Assets</b>	<b><u>\$ 1,647,054</u></b>	<b><u>\$ 1,959,926</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 125,059	\$ 345,379
Due to LAYC, net	22,218	-
Deferred revenue	-	50,000
<b>Total Liabilities</b>	<b><u>147,277</u></b>	<b><u>395,379</u></b>
<b>Net Assets</b>		
Unrestricted	<u>1,499,777</u>	<u>1,564,547</u>
<b>Total Net Assets</b>	<b><u>1,499,777</u></b>	<b><u>1,564,547</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,647,054</u></b>	<b><u>\$ 1,959,926</u></b>

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

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Revenue and Support:</b>		
Per pupil allocation	\$ 2,500,125	\$ 3,063,450
DC facilities allowance	434,211	577,940
School lunch	12,889	-
Federal grants	-	40,729
Grants and contributions	444,898	224,021
In-kind contributions	191,203	-
Other	9,618	5,034
<b>Total Revenue</b>	<u>3,592,944</u>	<u>3,911,174</u>
Net assets released from restrictions	-	7,381
<b>Total Revenue and Support</b>	<u>3,592,944</u>	<u>3,918,555</u>
<b>Expenses</b>		
Program Services	<u>3,115,900</u>	<u>3,326,865</u>
Supporting Services:		
General and administrative	524,291	616,378
Fundraising	17,523	18,001
Total Supporting Services	<u>541,814</u>	<u>634,379</u>
<b>Total Expenses</b>	<u>3,657,714</u>	<u>3,961,244</u>
<b>Change in Unrestricted Net Assets</b>	<u>(64,770)</u>	<u>(42,689)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Net assets released from restrictions	-	(7,381)
<b>Change in Temporarily Restricted Net Assets</b>	<u>-</u>	<u>(7,381)</u>
Changes in net assets	(64,770)	(50,070)
Net assets, beginning of year	1,564,547	1,614,617
<b>Net Assets, End of Year</b>	<u>\$ 1,499,777</u>	<u>\$ 1,564,547</u>

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

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (64,770)	\$ (50,070)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	85,769	92,379
Effect of changes in non-cash operating assets and liabilities:		
Due from LAYC, net	81,141	(1,300)
Grant receivables	(152,741)	-
Other receivables	(1,717)	19,427
Prepaid expenses	8,539	(3,995)
Security deposit	(19,792)	-
Accounts payable and accrued expenses	(220,320)	154,317
Due to LAYC, net	22,218	-
Deferred revenue	(50,000)	50,000
<b>Net Cash from Operating Activities</b>	<u>(311,673)</u>	<u>260,758</u>
<b>Cash Flows from Investing Activities</b>		
Payments for purchases of furniture and equipment	<u>(41,662)</u>	<u>(56,991)</u>
Net change in cash	(353,335)	203,767
Cash, beginning of year	<u>1,636,648</u>	<u>1,432,881</u>
<b>Cash, End of Year</b>	<u>\$ 1,283,313</u>	<u>\$ 1,636,648</u>

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

# LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2018 and 2017

### 1. ORGANIZATION AND PROGRAM

The LAYC Career Academy Public Charter School (the Academy) was incorporated in the District of Columbia in December 2011, and opened its doors in September 2012. This is the fourth public charter school founded by the Latin American Youth Center (LAYC). The innovative educational model offers students, ages 16-24, the opportunity to prepare for and pass the GED and prepare for a career as an A+ certified IT professional or a medical assistant. The Academy's students are able to start their college education by completing six college credits (the equivalent of two advanced placement classes) through the Academy's partnership with the Community College of the District of Columbia.

LAYC is the founder of the Academy and makes payments on behalf of the Academy and does not necessarily allocate all such costs to the Academy. Therefore, the financial results of the Academy may not be reflective as if it were a standalone entity.

Executive management and certain Board members of LAYC serve on the Board of Trustees of the Academy.

On July 1, 2012, the Academy entered into a contract, amended on May 9, 2017, with the District of Columbia Public Charter School Board (the Board), granting the Academy a charter for the establishment of a public charter school in Washington, DC. The charter expires on June 30, 2027. The Board has the authority to revoke the charter for violations of applicable laws and conditions, terms and procedures set forth in the charter. The Academy's current charter provides for enrollment of up to 150 students in its first academic year and no more than 200 in the subsequent academic years. Under the provisions of the contract, the Board is to make annual payments to the Academy for services provided to the students based on the number of students attending the Academy each year. The Academy is and shall remain a District of Columbia nonprofit organization in accordance with the District of Columbia Nonprofit Corporation Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The accompanying financial statements of the Academy have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Use of Estimates**

The preparation of 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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Furniture and Equipment, Net**

Furniture and equipment valued in excess of \$1,000, with an anticipated useful life greater than one year, are capitalized and recorded at cost if purchased, or estimated fair market value as of the date of gift, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. All capitalized assets as of June 30, 2018 and 2017, consisted of furniture and equipment with a useful life of three years.

#### **Net Assets**

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by the Academy have been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets. There were no temporarily restricted net assets as of June 30, 2018 and 2017.

Permanently restricted net assets are those that are restricted by donors to be maintained by the Academy in perpetuity. There were no permanently restricted net assets as of June 30, 2018 and 2017.

#### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded when pledged and classified as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

# LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue Recognition

The Academy receives a student allocation from the District of Columbia as well as Federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The Academy recognizes this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as deferred revenue in the accompanying statements of financial position. Revenue from other government sources are recognized as earned.

#### In-Kind Contributions

Donated legal services that would have been purchased were valued at their estimated fair market value of \$527 per hour. Services donated to the Academy for the years ended June 30, 2018, were valued at \$191,203 and are included in in-kind contributions and general and administrative expenses in the accompanying statements of activities and changes in net assets.

#### Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Academy.

#### Income Taxes

The Academy is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable District of Columbia income tax laws.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Academy performed an evaluation of uncertain tax positions for the year ended June 30, 2018, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status.

# LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Income Taxes (continued)

For the year ended June 30, 2018, the statute of limitations for fiscal years 2016 through 2018 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Academy files tax returns. It is the Academy's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will be effective for periods beginning after December 15, 2019. In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which provide updated guidance on the reporting model for not-for-profit organizations and the statement of cash flows. These standards are effective for periods beginning after December 15, 2017 and December 15, 2018, respectively. Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the scope and accounting guidance around contributions of cash and other assets received and made by nonprofit organizations and business enterprises. This standard will be effective for periods beginning after June 15, 2018. Management is evaluating the effects of this pronouncement on the financial statements and will implement this pronouncement by the effective date.

#### Subsequent Events

The Academy evaluated the accompanying financial statements for subsequent events and transactions through November 29, 2018, the date the financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

# LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2018 and 2017

### 3. PROPERTY AND EQUIPMENT, NET

As of June 30, 2018 and 2017, furniture and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$ 398,769	\$ 357,108	3 years
Less: accumulated depreciation	<u>324,069</u>	<u>238,301</u>	
<b>Furniture and Equipment, Net</b>	<b><u>\$ 74,700</u></b>	<b><u>\$ 118,807</u></b>	

Depreciation expense was \$85,7698 and \$92,379, for the years ended June 30, 2018 and 2017, respectively.

### 4. COMMITMENTS AND CONTINGENCIES

#### Grants

The Academy receives financial assistance from Federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the Academy. The Academy's administration believes such disallowance, if any, would be immaterial.

The Academy receives a substantial portion of its revenue from the District of Columbia. If a significant reduction in this revenue should occur, it may have a material effect on the Academy's programs.

During the years ended June 30, 2018 and 2017, the Academy earned revenue of \$2,947,225 and \$3,682,119, from the District of Columbia, which was 94% and 94%, respectively, of the total revenue and support, respectively. These amounts are reflected as per pupil allocation, DC facilities allowance, Federal grants and grants and contributions in the accompanying statements of activities and changes in net assets.

#### Operating Lease

The Academy leased space under a renewable five-year lease that expired in August 2017. On August 1, 2017, the Academy moved to a new facility. The base rent for the first year was \$537,500 which was paid in monthly payments of \$44,792. There will be a 1.5% increase each year, until July 31, 2020. Space rental for the years ended June 30, 2018 and 2017, was \$555,618 and \$659,488, respectively.

# LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2018 and 2017

### 5. RELATED PARTY TRANSACTIONS

#### Management Fee

The Academy receives certain management and administrative services from LAYC in return for a management fee. Under this agreement, the Academy is to pay LAYC a management fee for the services it provides in the amount of 12% of all funds the Academy receives, with the exception of facilities funds. As of the first academic year that the Academy reaches enrollment of 200 students, the management fee shall be reduced to 10%. The Academy has not reached enrollment of 200; therefore, the rate as of June 30, 2018 and 2017, was 12%. This fee is paid quarterly. The management fee was \$315,583 and \$401,938, for the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, the Academy recorded a net payable to LAYC of \$22,218 and as of June 30, 2017, the Academy recorded a net receivable from LAYC of \$81,141, primarily for excess management fees paid to LAYC.

Additionally, LAYC incurs certain costs on behalf of the Academy for certain payroll and other payroll and benefit related costs. These costs are reimbursed to LAYC by the Academy. During the year ended June 30, 2018, \$197,437 in other costs were reimbursed to LAYC and there were no unpaid amounts as of June 30, 2018. During the year ended June 30, 2017, \$233,633 in other costs were reimbursed to LAYC, of which \$185,000, was recorded in accounts payable and accrued expenses as of June 30, 2017.

**SUPPLEMENTARY INFORMATION**

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Supplemental Schedule of Functional Expenses  
For the Year Ended June 30, 2018, with Comparative 2017 Totals**

	2018			2017	
	Program Services	General and Administrative	Fundraising	Total	
<b>SALARIES, TAXES AND BENEFITS</b>					
Salaries	\$ 1,298,088	\$ 93,330	\$ 7,836	\$ 1,399,254	\$ 1,750,078
Employee benefits	52,275	3,759	316	56,350	82,725
Payroll taxes	103,841	7,466	627	111,934	133,104
Total salaries, taxes and benefits	<u>1,454,204</u>	<u>104,555</u>	<u>8,779</u>	<u>1,567,538</u>	<u>1,965,907</u>
<b>DIRECT STUDENT COSTS</b>					
Contracted services, supplies and materials	126,787	-	-	126,787	235,527
Transportation	12,545	-	-	12,545	23,723
Food services	64,821	-	-	64,821	71,509
Client training and education	8,911	-	-	8,911	13,567
Total direct student costs	<u>213,064</u>	<u>-</u>	<u>-</u>	<u>213,064</u>	<u>344,326</u>
<b>OCCUPANCY EXPENSES</b>					
Space rental	515,447	37,060	3,111	555,618	659,488
Depreciation expense	79,568	5,721	480	85,769	92,379
Total occupancy expenses	<u>595,015</u>	<u>42,781</u>	<u>3,591</u>	<u>641,387</u>	<u>751,867</u>
<b>OFFICE EXPENSES</b>					
Professional fees	553,094	39,767	3,339	596,200	285,592
Management fees	-	315,583	-	315,583	401,938
Payroll processing fees	6,821	490	41	7,352	5,552
Postage and shipping	2,120	152	13	2,285	3,164
Office equipment	128,047	9,206	773	138,026	32,921
Telecommunications	27,724	1,993	167	29,884	15,438
Staff training	22,368	1,608	135	24,111	61,411
Insurance	21,713	1,561	131	23,405	28,646
Miscellaneous	91,730	6,595	554	98,879	64,482
Total office expenses	<u>853,617</u>	<u>376,955</u>	<u>5,153</u>	<u>1,235,725</u>	<u>899,144</u>
<b>Total Expenses</b>	<u>\$ 3,115,900</u>	<u>\$ 524,291</u>	<u>\$ 17,523</u>	<u>\$ 3,657,714</u>	<u>\$ 3,961,244</u>

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Supplemental Schedule of Functional Expenses  
For the Year Ended June 30, 2017**

	2017			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<b>SALARIES, TAXES AND BENEFITS</b>				
Salaries	\$ 1,623,548	\$ 116,730	\$ 9,800	\$ 1,750,078
Employee benefits	76,744	5,518	463	82,725
Payroll taxes	123,481	8,878	745	133,104
Total salaries, taxes and benefits	<u>1,823,773</u>	<u>131,126</u>	<u>11,008</u>	<u>1,965,907</u>
<b>DIRECT STUDENT COSTS</b>				
Supplies and materials	235,527	-	-	235,527
Transportation	23,723	-	-	23,723
Food services	71,509	-	-	71,509
Client training and education	13,567	-	-	13,567
Total direct student costs	<u>344,326</u>	<u>-</u>	<u>-</u>	<u>344,326</u>
<b>OCCUPANCY EXPENSES</b>				
Space rental	611,807	43,988	3,693	659,488
Depreciation expense	85,700	6,162	517	92,379
Total occupancy expenses	<u>697,507</u>	<u>50,150</u>	<u>4,210</u>	<u>751,867</u>
<b>OFFICE EXPENSES</b>				
Professional fees	264,944	19,049	1,599	285,592
Management fees	-	401,938	-	401,938
Payroll processing fees	5,151	370	31	5,552
Postage and shipping	2,935	211	18	3,164
Office equipment	30,541	2,196	184	32,921
Telecommunications	14,322	1,030	86	15,438
Staff training	56,971	4,096	344	61,411
Insurance	26,575	1,911	160	28,646
Miscellaneous	59,820	4,301	361	64,482
Total office expenses	<u>461,259</u>	<u>435,102</u>	<u>2,783</u>	<u>899,144</u>
<b>Total Expenses</b>	<u>\$ 3,326,865</u>	<u>\$ 616,378</u>	<u>\$ 18,001</u>	<u>\$ 3,961,244</u>

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Supplemental Schedule of Vendors Receiving More Than \$25,000  
For the Year Ended June 30, 2018**

<u>Vendor Name</u>	<u>Amount Paid</u>	<u>Service Type</u>
Holy Spirit Association for the Unification of World Christianity	\$ 537,510	Rent
LAYC	315,583	Charter management
ExtraOrdinary Education Services	92,022	Special education consultant
Top Spanish Café and Catering	57,543	Student food service
Best Buy	52,000	Laptops
AmeriCorps/ Public Allies	43,500	Intern(s)
Smart Cleaning Solutions	41,188	Janitorial and cleaning
Eagle Protection Services	33,145	Security guard



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL  
CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees  
LAYC Career Academy  
Public Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the LAYC Career Academy Public Charter School (the Academy), which comprise the statement of financial position as of June 30, 2018, the related statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2018.

***Internal Controls over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Academy's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal controls.

A *deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



**SB & COMPANY, LLC**  
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### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy’s internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy’s internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC  
November 29, 2018

A handwritten signature in black ink that reads "SB &amp; Company, LLC". The signature is written in a cursive, flowing style.

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**Section I – Summary of Independent Public Accountants’ Results**

**Financial Statements**

Type of independent public accountants’ report issued Unmodified

Internal controls over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

**Section II – Financial Statement Findings**

There were no findings noted in fiscal year 2018.

## LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

### Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2018

Reference Number: 2017-001

#### Type of Finding – Material Weakness over Financial Reporting

##### *Condition*

There are multiple separate accounts used to account for related party transactions. During the process of analyzing these accounts, we noted several adjustments recorded in the due to/from LAYC accounts for items such as overpayment of management fees and corrections of accounting errors. Our review identified an audit adjustment in the amount of \$49,999. The CFO has not been able to identify the expenses (or supporting invoices) that make up the balance for the amounts included in the due to LAYC account. The lack of review and analysis of these accounts during the year resulted in additional time and analyses to complete before the financial statements could be finalized.

##### *Current Year Status*

- The Academy hired a new accounting firm, Building Hope. Building Hope commenced work as the Academy's new accountant on July 1, 2018.
- The Academy also worked with LAYC to come up with a new way of pricing services. Instead of paying a 12% fee, the Academy is now paying a clear and set fee for each service. Between hiring an outside accountant and implementing the new fee structure, the Academy has 100% ensured that the same Due To/Due From issue can never occur again.
- LAYC and the Academy have reviewed accounts, including related party transactions, monthly. Academy staff thoroughly review all invoices from the management company, ask questions, and request amended invoices as needed. Payment is made only after a thorough analysis of all requests and after any needed corrections have been made.
- LAYC has hired a new controller to add expertise to support the CFO.
- LAYC implemented a new accounting system called Intacct, a cloud based platform that has enabled additional control and provided more timely and effective reporting to support efforts in tracking and reviewing costs. The Intacct system allows the management company to perform better monitoring of transactions and offer better controls as compared to its old MIP system.
- LAYC has set up new general ledger accounts to help with the monthly reconciliations. LAYC set one up to handle reimbursements so that the other account would be dedicated to service revenue. In the prior years, LAYC was using one account to account for both the reimbursement portion as well as the management fees. This made it difficult and cumbersome to manage/reconcile. Upon the recommendation of the auditors, LAYC has added a second account to capture only reimbursements so that the old/existing account would be dedicated to the recording of the management fee. This has made it easier to reconcile in a timely manner.

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**Reference Number: 2017-001** (continued)

*Current Year Status* (continued)

- LAYC and the Academy changed payroll management systems from ADP to Paycom. Paycom is very robust and offers additional functionality that was not available on the old ADP system. This has allowed both LAYC and the Academy to obtain timely payroll reports for reconciliation and closing of the accounting books. Furthermore, it allows the employees the flexibility to complete their time sheets on their smartphones.

**LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**Finding: 2016-001**

**Type of Finding – Significant Deficiency over Financial Reporting**

***Condition***

During our audit, we identified that accounts payable had not been reconciled as of June 30, 2016, to capture all unpaid invoices billed or unbilled that should have been accrued as of June 30, 2016. As a result, the accounts payable account as of June 30, 2016, required significant adjustments and additional time and analysis before the financial statements could be finalized.

***Current Year Status***

See Finding 2017-001.