



SB & COMPANY, LLC

**LAYC CAREER ACADEMY
PUBLIC CHARTER SCHOOL**

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

For the Years Ended June 30, 2016 and 2015

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JUNE 30, 2016 and 2015

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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, 2016 and 2015, and 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.

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, 2016 and 2015, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements for the years ended June 30, 2016 and 2015. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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 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 Academy's internal control over financial reporting and compliance.

Washington, DC
December 15, 2016

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

**Statements of Financial Position
As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 1,432,881	\$ 1,236,440
Due from LAYC, net	79,841	-
Other receivables	19,427	-
Prepaid expenses	49,335	49,191
Fixed assets, net	154,195	95,492
Security deposit	70,000	70,000
Total Assets	<u>\$ 1,805,679</u>	<u>\$ 1,451,123</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 191,062	\$ 280,062
Due to LAYC, net	-	24,232
Total Liabilities	<u>191,062</u>	<u>304,294</u>
Net Assets		
Unrestricted	1,607,236	859,380
Temporarily restricted	7,381	287,449
Total Net Assets	<u>1,614,617</u>	<u>1,146,829</u>
Total Liabilities and Net Assets	<u>\$ 1,805,679</u>	<u>\$ 1,451,123</u>

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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
Revenue and Support:		
Per pupil allocation	\$ 3,187,167	\$ 3,010,415
DC facilities allowance	596,684	583,680
Federal grants	61,950	18,224
Grants and contributions	38,786	18,260
Other	13,801	1,661
Total Revenue	<u>3,898,388</u>	<u>3,632,240</u>
Net assets released from restrictions	280,068	292,522
Total Revenue and Support	<u>4,178,456</u>	<u>3,924,762</u>
Expenses		
Program Services	2,846,177	2,403,666
Supporting Services:		
General and administrative	568,944	608,175
Fundraising	15,479	17,515
Total Supporting Services	<u>584,423</u>	<u>625,690</u>
Total Expenses	<u>3,430,600</u>	<u>3,029,356</u>
Change in Unrestricted Net Assets	<u>747,856</u>	<u>895,406</u>
ASSETS		
Net assets released from restrictions	(280,068)	(292,522)
Change in Temporarily Restricted Net Assets	<u>(280,068)</u>	<u>(292,522)</u>
Changes in net assets	467,788	602,884
Net assets, beginning of year	1,146,829	543,945
Net Assets, End of Year	<u>\$ 1,614,617</u>	<u>\$ 1,146,829</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, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 467,788	\$ 602,884
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	83,890	39,572
Effect of changes in non-cash operating assets and liabilities:		
Due from LAYC, net	(79,841)	26,849
Pledge receivable, net	-	200,000
Other receivables	(19,427)	1,167
Prepaid expenses	(144)	(13,742)
Accounts payable and accrued expenses	(89,000)	194,978
Due to LAYC, net	(24,232)	24,232
Deferred revenue	-	(53,509)
Net Cash from Operating Activities	<u>339,034</u>	<u>1,022,431</u>
Cash Flows from Investing Activities		
Payments for purchases of fixed assets	<u>(142,593)</u>	<u>(66,241)</u>
Net increase in cash	196,441	956,190
Cash, beginning of year	<u>1,236,440</u>	<u>280,250</u>
Cash, End of Year	<u>\$ 1,432,881</u>	<u>\$ 1,236,440</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, 2016 and 2015

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 AP classes) through LAYC's partnership with the Board College and 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 the Academy. Thus, the Academy's financial statements are consolidated with LAYC.

On July 1, 2012, the Academy entered into a contract 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 250 in the subsequent four 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, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets, Net

Fixed assets 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 fixed assets as of June 30, 2016 and 2015, 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.

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, 2016 and 2015.

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, 2016 and 2015

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.

Contributions and Grants

Contributions are recorded when pledged and classified as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions and grants whose restrictions are fulfilled in the same period are recorded as unrestricted support in the statement of activities and changes in net assets. When a donor restriction expires, 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.

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.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

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, 2016, 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. For the year ended June 30, 2016, the statute of limitations for fiscal years 2013 through 2016 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.

Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Subsequent Events

The Academy evaluated the accompanying financial statements for subsequent events and transactions through December 15, 2016, 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.

3. FIXED ASSETS

As of June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$ 300,117	\$ 157,524	3 years
Total	300,117	157,524	
Less: accumulated depreciation	145,922	62,032	
Property and Equipment, Net	<u>\$ 154,195</u>	<u>\$ 95,492</u>	

Depreciation expense was \$83,890 and \$39,572, for the years ended June 30, 2016 and 2015, respectively.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

4. TEMPORARILY RESTRICTED NET ASSETS

Contribution Revenue

In March 2013, LAYC received a pledge on behalf of the Academy for \$900,000, of which \$200,000, was received during the year ended June 30, 2015. There was no pledge receivable as of June 30, 2016 and 2015, as the full \$900,000 has been collected. The funds are to be used for program expenses to train medical assistants and for indirect expenses, such as human resources, financial management, information technology, development, and similar expenses. The pledge was for the sole use of Academy and LAYC is acting as the agent for the Academy. Accordingly, the Academy has recognized the contribution revenue in the accompanying statements of activities and changes in net assets as temporarily restricted revenue. During the years ended June 30, 2016 and 2015, \$280,068 and \$292,522, respectively, were released from restrictions.

As of June 30, 2016 and 2015, temporarily restricted net assets were available for the following purpose:

	<u>2016</u>	<u>2015</u>
Training	<u>\$ 7,381</u>	<u>\$ 287,449</u>

5. 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 an effect on the Academy's programs. During the years ended June 30, 2016 and 2015, the Academy earned revenue of \$3,845,801 and \$3,612,319, from the District of Columbia, which was 92% of the total revenue and support, respectively. These amounts are reflected as per pupil allocation, DC facilities allowance, and Federal grants in the accompanying statements of activities and changes in net assets.

Operating Lease

The Academy leases space under a renewable five-year lease that expires in August 2017. The lease includes a provision to increase the minimum annual lease payments up to the full facility allocation included in the annual per pupil allocation from the District of Columbia. Rent expense for the years ended June 30, 2016 and 2015 was \$592,004 and \$540,530, respectively.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2016 and 2015

5. COMMITMENTS AND CONTINGENCIES (continued)

Operating Lease (continued)

As of June 30, 2016, future minimum lease payments were as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2017	\$ 540,000
2018	45,000
Total	\$ 585,000

6. 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 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%. This fee is paid quarterly. The management fee was \$384,587 and \$442,669, for the years ended June 30, 2016 and 2015, respectively.

As of June 30, 2016, the Academy recorded a receivable from LAYC of \$79,841, primarily for excess management fees paid to LAYC. As of June 30, 2015, the Academy recorded a liability to LAYC of \$24,232, associated with the pledge noted above.

SUPPLEMENTARY INFORMATION

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Supplemental Schedule of Functional Expenses For the Year Ended June 30, 2016, with Comparative 2015 Total

	2016				2015
	Program Services	General and Administrative	Fundraising	Total	Total
SALARIES, TAXES AND BENEFITS					
Salaries	\$ 1,273,931	\$ 91,593	\$ 7,690	\$ 1,373,214	\$ 1,318,653
Employee benefits	71,906	5,170	434	77,510	60,020
Payroll taxes	105,280	7,569	636	113,485	105,303
Total salaries, taxes and benefits	<u>1,451,117</u>	<u>104,332</u>	<u>8,760</u>	<u>1,564,209</u>	<u>1,483,976</u>
DIRECT STUDENT COSTS					
Supplies and materials	171,334	-	-	171,334	91,907
Transportation	47,582	-	-	47,582	84,517
Food services	50,339	-	-	50,339	34,954
Client training and education	12,775	-	-	12,775	30
Total direct student costs	<u>282,030</u>	<u>-</u>	<u>-</u>	<u>282,030</u>	<u>211,408</u>
OCCUPANCY EXPENSES					
Space rental	549,202	39,487	3,315	592,004	540,530
Security	-	-	-	-	1,657
Depreciation expense	77,825	5,595	470	83,890	39,572
Total occupancy expenses	<u>627,027</u>	<u>45,082</u>	<u>3,785</u>	<u>675,894</u>	<u>581,759</u>
OFFICE EXPENSES					
Professional fees	262,209	18,852	1,583	282,644	163,822
Management fees	-	384,587	-	384,587	442,669
Payroll processing fees	5,600	403	34	6,037	2,541
Postage and shipping	948	68	6	1,022	843
Office equipment	40,498	2,912	244	43,654	27,015
Telecommunications	14,086	1,013	85	15,184	14,363
Staff training	54,055	3,886	326	58,267	52,692
Insurance	20,336	1,462	123	21,921	18,067
Miscellaneous	88,271	6,347	533	95,151	30,201
Total office expenses	<u>486,003</u>	<u>419,530</u>	<u>2,934</u>	<u>908,467</u>	<u>752,213</u>
Total Expenses	<u>\$ 2,846,177</u>	<u>\$ 568,944</u>	<u>\$ 15,479</u>	<u>\$ 3,430,600</u>	<u>\$ 3,029,356</u>

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

**Supplemental Schedule of Functional Expenses
For the Year Ended June 30, 2015**

	2015			
	Program Services	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				
Salaries	\$ 1,219,384	\$ 91,625	\$ 7,644	\$ 1,318,653
Employee benefits	55,501	4,171	348	60,020
Payroll taxes	97,373	7,319	611	105,303
Total salaries, taxes and benefits	<u>1,372,258</u>	<u>103,115</u>	<u>8,603</u>	<u>1,483,976</u>
DIRECT STUDENT COSTS				
Supplies and materials	91,907	-	-	91,907
Transportation	84,517	-	-	84,517
Food services	34,954	-	-	34,954
Client training and education	30	-	-	30
Total direct student costs	<u>211,408</u>	<u>-</u>	<u>-</u>	<u>211,408</u>
OCCUPANCY EXPENSES				
Space rental	497,288	37,837	5,405	540,530
Security	1,524	116	17	1,657
Depreciation expense	36,406	2,770	396	39,572
Total occupancy expenses	<u>535,218</u>	<u>40,723</u>	<u>5,818</u>	<u>581,759</u>
OFFICE EXPENSES				
Professional fees	150,716	11,468	1,638	163,822
Management fees	-	442,669	-	442,669
Payroll processing fees	2,338	178	25	2,541
Postage and shipping	776	59	8	843
Office equipment	24,854	1,891	270	27,015
Telecommunications	13,214	1,005	144	14,363
Staff training	48,477	3,688	527	52,692
Insurance	16,621	1,265	181	18,067
Miscellaneous	27,786	2,114	301	30,201
Total office expenses	<u>284,782</u>	<u>464,337</u>	<u>3,094</u>	<u>752,213</u>
Total Expenses	<u>\$ 2,403,666</u>	<u>\$ 608,175</u>	<u>\$ 17,515</u>	<u>\$ 3,029,356</u>



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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*

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, 2016, the related statements 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 December 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) 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 control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2016-001.

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*.

Management's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Washington, DC
December 15, 2016

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I – Summary of Independent Public Accountants’ Results

Financial Statements

Type of independent public accountants’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Section II – Financial Statement Findings

Reference Number: 2016-001

Type of Finding – Significant Deficiency over Financial Reporting

Criteria

The Academy must maintain an adequate system of internal control over financial reporting in order to initiate, authorize, record, process and report financial data reliably in accordance with generally accepted accounting principles.

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.

Cause

The Academy did not have internal controls in place for the review and analysis of accounts payable on a timely basis.

Effect

The delay in completing account analysis for accounts payable could result in errors and irregularities, which may not be detected, and understatement of accounts payable.

Recommendation

We recommend that the Academy put controls in place to ensure reconciliations and account analysis are completed and reviewed by appropriate supervisory personnel. The Academy must complete the implementation of these processes and controls to ensure accurate interim and year-end financial statements. Accurate financial information is vital to make management decisions that impact the Academy. We also recommend that management review invoices paid after year-end to ensure that all accruals are captured at year end.

Questioned Costs

Unknown

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Corrective Action Plan and Management's Response

As part of the Academy's continuous plan to improve internal controls for financial reporting, the organization has instituted new measures such as month-end reminders that will go out to all staff to ensure that all invoices are submitted in a timely manner. In addition, a process has been established for the accounts payable supervisor and the operations lead to have monthly reconciliation meetings to ensure that all invoices have been submitted for payment. Such reconciliations will be reviewed and approved by the chief financial officer at the end of each quarter before the financial statements are approved and released to the board of directors.