

**LAYC CAREER ACADEMY
PUBLIC CHARTER SCHOOL**

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

For the Years Ended June 30, 2020 and 2019



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JUNE 30, 2020 AND 2019

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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 financial statements of the LAYC Career Academy Public Charter School (the Academy), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses 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 controls 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 controls. 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2020 and 2019, 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 schedule of vendors contracted for services in excess of \$25,000, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, although not a part of the basic financial statements, is required by the District of Columbia Public Charter School Board, and has not been subjected to the auditing procedures applied in the audits of the basic 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 our report dated November 10, 2020, 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 10, 2020

A handwritten signature in black ink that reads "SB & 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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,883,626	\$ 1,388,625
Grant receivables	36,884	28,897
Other receivables	-	1,283
Prepaid expenses	6,048	10,622
Furniture and equipment, net	2,363	32,087
Security deposit	44,792	44,792
Total Assets	<u>\$ 1,973,713</u>	<u>\$ 1,506,306</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 104,548	\$ 121,930
Due to LAYC, net	1,605	8,027
Loan payable	294,467	-
Total Liabilities	<u>400,620</u>	<u>129,957</u>
Net Assets		
Without donor restrictions	1,573,093	1,351,349
With donor restrictions	-	25,000
Total Net Assets	<u>1,573,093</u>	<u>1,376,349</u>
Total Liabilities and Net Assets	<u>\$ 1,973,713</u>	<u>\$ 1,506,306</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Per pupil allocation	\$ 2,501,587	\$ 2,242,432
DC facilities allowance	466,900	420,927
Grants and contributions	92,825	61,686
Federal grants	71,958	130,248
School lunch	12,648	16,310
In-kind contributions	145,276	166,427
Other	13,423	25,321
Net assets released from restrictions	25,000	-
Total Revenue and Support	<u>3,329,617</u>	<u>3,063,351</u>
Expenses		
Program Services	2,741,709	2,822,174
Supporting Services:		
General and administrative	350,758	373,989
Fundraising	15,406	15,616
Total Supporting Services	<u>366,164</u>	<u>389,605</u>
Total Expenses	<u>3,107,873</u>	<u>3,211,779</u>
Change in Net Assets Without Donor Restrictions	<u>221,744</u>	<u>(148,428)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	-	25,000
Net assets released from restrictions	(25,000)	-
Change in Net Assets with Donor Restrictions	<u>(25,000)</u>	<u>25,000</u>
Changes in net assets	196,744	(123,428)
Net assets, beginning of year	1,376,349	1,499,777
Net Assets, End of Year	<u>\$ 1,573,093</u>	<u>\$ 1,376,349</u>

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

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Statement of Functional Expenses For the Year Ended June 30, 2020, with Comparative 2019 Totals

	2020			2019
	Program Services	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				Total
Salaries	\$ 1,301,503	\$ 93,576	\$ 7,856	\$ 1,402,935
Employee benefits	122,361	8,798	739	131,898
Payroll taxes	116,103	8,348	701	125,152
Total salaries, taxes and benefits	<u>1,539,967</u>	<u>110,722</u>	<u>9,296</u>	<u>1,659,985</u>
DIRECT STUDENT COSTS				
Contracted services, supplies and materials	126,531	-	-	126,531
Transportation	4,867	-	-	4,867
Food services	48,243	-	-	48,243
Client training and education	9,809	-	-	9,809
Total direct student costs	<u>189,450</u>	<u>-</u>	<u>-</u>	<u>189,450</u>
OCCUPANCY EXPENSES				
Space rental	511,093	36,747	3,085	550,925
Depreciation expense	27,575	1,983	166	29,724
Contracted building services	75,058	5,397	453	80,908
Total occupancy expenses	<u>613,726</u>	<u>44,127</u>	<u>3,704</u>	<u>661,557</u>
OFFICE EXPENSES				
Professional fees	238,523	17,149	1,440	257,112
Management fees	-	167,253	-	167,253
Postage and shipping	434	31	3	468
Office equipment	46,243	3,325	279	49,847
Telecommunications	18,758	1,349	113	20,220
Staff training	11,948	859	72	12,879
Insurance	16,679	1,199	101	17,979
Miscellaneous	65,981	4,744	398	71,123
Total office expenses	<u>398,566</u>	<u>195,909</u>	<u>2,406</u>	<u>596,881</u>
Total Expenses	<u>\$ 2,741,709</u>	<u>\$ 350,758</u>	<u>\$ 15,406</u>	<u>\$ 3,107,873</u>

The accompanying notes are an integral part of this financial statement.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Statement of Functional Expenses For the Year Ended June 30, 2019

	2019			
	Program Services	General and Administrative	Fundraising	Total
SALARIES, TAXES AND BENEFITS				
Salaries	\$ 1,274,654	\$ 91,645	\$ 7,694	\$ 1,373,993
Employee benefits	91,995	6,614	555	99,164
Payroll taxes	106,683	7,670	644	114,997
Total salaries, taxes and benefits	<u>1,473,332</u>	<u>105,929</u>	<u>8,893</u>	<u>1,588,154</u>
DIRECT STUDENT COSTS				
Contracted services, supplies and materials	149,993	-	-	149,993
Transportation	8,456	-	-	8,456
Food services	59,187	-	-	59,187
Client training and education	17,724	-	-	17,724
Total direct student costs	<u>235,360</u>	<u>-</u>	<u>-</u>	<u>235,360</u>
OCCUPANCY EXPENSES				
Space rental	509,363	36,622	3,075	549,060
Depreciation expense	42,082	3,026	254	45,362
Contracted building services	94,074	6,764	568	101,406
Total occupancy expenses	<u>645,519</u>	<u>46,412</u>	<u>3,897</u>	<u>695,828</u>
OFFICE EXPENSES				
Professional fees	266,699	19,175	1,610	287,484
Management fees	-	188,002	-	188,002
Postage and shipping	168	12	1	181
Office equipment	27,017	1,942	163	29,122
Telecommunications	26,113	1,878	158	28,149
Staff training	20,504	1,474	124	22,102
Insurance	24,501	1,762	148	26,411
Miscellaneous	102,961	7,403	622	110,986
Total office expenses	<u>467,963</u>	<u>221,648</u>	<u>2,826</u>	<u>692,437</u>
Total Expenses	<u>\$ 2,822,174</u>	<u>\$ 373,989</u>	<u>\$ 15,616</u>	<u>\$ 3,211,779</u>

The accompanying notes are an integral part of this financial statement.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Statements of Cash Flow As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 196,744	\$ (123,428)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	29,724	45,362
Effect of changes in non-cash operating assets and liabilities:		
Grant receivables	(7,987)	123,844
Other receivables	1,283	434
Prepaid expenses	4,574	34,169
Security deposit	-	45,000
Accounts payable and accrued expenses	(17,382)	(3,129)
Due to LAYC, net	(6,422)	(14,191)
Net Cash from Operating Activities	<u>200,534</u>	<u>108,061</u>
 Cash Flows from Investing Activities		
Payments for purchases of furniture and equipment	<u>-</u>	<u>(2,749)</u>
 Cash Flows from Financing Activities		
Proceeds from loan	<u>294,467</u>	<u>-</u>
 Net change in cash and cash equivalents	495,001	105,312
Cash and cash equivalents, beginning of year	1,388,625	1,283,313
Cash and Cash Equivalents, End of Year	<u>\$ 1,883,626</u>	<u>\$ 1,388,625</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, 2020 and 2019

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 Academy shares one Board member with 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.

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 200 students. 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, 2020 and 2019

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, 2020 and 2019, consisted of furniture and equipment with a useful life of three years.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions 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 net asset without donor restrictions. Net assets with donor restrictions was \$25,000 as of June 30, 2019. There were no net assets with donor restrictions as of June 30, 2020.

Net assets with donor restrictions are also those that are restricted by donors to be maintained by the Academy in perpetuity. There were no net assets with donor restrictions in perpetuity as of June 30, 2019 and 2020.

Revenue and Support

Contributions received are recorded when pledged and classified as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2020 and 2019

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

The Academy received donated supplies and materials of \$4,891 and donated legal services of \$140,385 for the year ended June 30, 2020 and donated legal services of \$166,427 for the year ended June 30, 2019. Such amounts, which are based upon information provided by third parties, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and program services and supporting services on the accompanying statements of activities and statements of functional expenses.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and in the statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, contracted services, supplies and materials, transportation, food services, professional fees, payroll processing fees, office equipment, staff training, insurance and miscellaneous, which are allocated based on estimates of time and effort.

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, 2020, 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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

For the year ended June 30, 2020, the statute of limitations for fiscal years 2018 through 2020 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.

Liquidity

The Academy regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Academy primarily has cash and cash equivalents at its disposal.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing activities of teaching, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Academy strives to operate with a balanced budget and anticipates collecting enough revenue to cover general expenditures.

As of June 30, 2020, the following table shows the total financial assets held by the Academy and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,883,626
Grants receivable, net	36,884
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,920,510</u>

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pronouncements Implemented

In June 2018, the Financial Accounting Standards Board (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*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. The Academy implemented ASU No. 2018-08 for the fiscal year 2020. Due to the adoption, the presentation of these financial statements and footnotes were updated accordingly.

Recent Accounting Pronouncements

In July 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-10, *Codification Improvements to Topic 842, Leases*, and in February 2016, ASU No. 2016-02, *Leases*, which created a singular reporting model for leases. These standards will be effective for periods beginning after December 15, 2021.

Management is evaluating the effects of this pronouncement on the financial statements and will implement this pronouncement by its effective date.

Subsequent Events

The Academy evaluated the accompanying financial statements for subsequent events and transactions through November 10, 2020, 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, except for the paragraphs below.

3. PROPERTY AND EQUIPMENT, NET

As of June 30, 2020 and 2019, furniture and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$ 401,518	\$ 401,518	3 years
Less: accumulated depreciation	399,155	369,431	
Furniture and Equipment, Net	<u>\$ 2,363</u>	<u>\$ 32,087</u>	

Depreciation expense was \$29,724 and \$45,362 for the years ended June 30, 2020 and 2019, respectively.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2020 and 2019

4. LOAN PAYABLE

In May 2020, the Academy entered into a Paycheck Protection Program note payable with Bank of America for \$294,467. Interest on the outstanding balance is accrued at 1% after six months from the date of this note. The loan is due to mature two years from the date of the note. All or a portion of this note may be forgiven in accordance with the agreement requirements under Section 1106 of the CARES Act. Not more than 25% of the amount forgiven can be attributable to non-payroll costs. At the time of the audit report, the Academy has not applied for the loan forgiveness.

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 a material effect on the Academy's programs.

During the years ended June 30, 2020 and 2019, the Academy earned revenue of \$3,053,093 and \$2,809,917, from the District of Columbia, which was 96% and 92%, respectively, of the total revenue and support, respectively. These amounts are reflected as per pupil allocation, DC facilities allowance, student lunch and Federal grants in the accompanying statements of activities and changes in net assets.

Operating Lease

On August 1, 2017, the Academy moved to a new facility. The base rent for the first year was \$492,708 which was paid in monthly payments of \$44,792. There was a 1.5% increase each year, until the agreement expired on July 1, 2020. Space rental for the years ended June 30, 2020 and 2019, was \$507,600 and \$499,477, respectively.

A one-year extension was exercised during September 2019, and extended the space rental through July 1, 2021. Minimum rent payments for year ended June 30, 2021 are \$514,526.

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2020 and 2019

5. COMMITMENTS AND CONTINGENCIES (continued)

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States as the number of people infected grew at an unprecedented rate. The COVID-19 outbreak is still evolving, and its financial impact remains unknown. The School has taken the impact of COVID-19 into consideration when evaluating impairment to certain assets and enrollment for the 2020-21 school year; however, the School is currently unable to determine the extent of the impact to its future financial condition and operating results.

6. RELATED PARTY TRANSACTIONS

Management Fee

The Academy received certain management and administrative services from LAYC in return for a management fee. For most of fiscal year 2018, under this agreement, the Academy was to pay LAYC a management fee for the services it provided in the amount of 12% of all funds the Academy received, except for facilities funds. In June 2018, the Academy reached an agreement with LAYC to pay a set fee for each service.

The management fee was \$167,253 and \$188,002, for the years ended June 30, 2020 and 2019, respectively.

The Academy recorded a net payable to LAYC of \$1,605 and \$8,027 as of June 30, 2020 and 2019, respectively.

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 years ended June 30, 2020 and 2019, \$24,286 and \$126,144 in other costs were reimbursed to LAYC with no unpaid amounts as of June 30, 2020 and 2019.

SUPPLEMENTARY INFORMATION

LAYC CAREER ACADEMY PUBLIC CHARTER SCHOOL

**Schedule of Vendors Contracted for Services in Excess of \$25,000
For the Year Ended June 30, 2020**

(UNAUDITED)

<u>Vendor Name</u>	<u>Amount Paid</u>	<u>Service Type</u>	<u>ted Party Per the Ac</u>
Holy Spirit Association for the Unification of World Christianity	\$ 546,032	Rent and utilities	No
CareFirst BlueChoice	182,130	Health insurance	No
Latin American Youth Center	167,253	Charter management	Yes
Building Hope	53,200	Accounting and finance services	No
Smart Cleaning Solutions	50,850	Janitorial and cleaning	No
Top Spanish Cafe and Catering	48,243	Student food service	No
DC Public Charter School Board	29,087	Authorizer fee	No
SB & Company, LLC	27,000	Financial audit	No
Eagle Protection Services Inc.	26,388	Security guard	No
EdOps	20,805	Student data management*	No

*Contract over \$25k signed; less than \$25k in expense in FY 2020.



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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, 2020, the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2020.

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.



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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 10, 2020

SB & Company, LLC