

LARCHMONT CHARTER SCHOOLS**TABLE OF CONTENTS
JUNE 30, 2012**

REVISED

By crahmaan at 4:19 pm, 10/4/12

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INDEPENDENT AUDITORS' REPORT

Governing Board
Larchmont Charter Schools, Inc.
(A California Non-Profit Public Benefit Corporation)
Los Angeles, California

We have audited the accompanying statement of financial position of Larchmont Charter Schools, Inc. (the Charter Schools) (A California Non-Profit Public Benefit Corporation) as of June 30, 2012, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Charter Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter Schools as of June 30, 2012, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States America.

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2012, on our consideration of the Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rancho Cucamonga, California
_____, 2012

LARCHMONT CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

	Charter School	West Charter School	Central Administration Office
ASSETS			
Current Assets			
Cash	\$ 600,660	\$ 463,930	\$ -
Accounts receivable	1,222,509	544,546	230
Intercompany receivable	35,849	16,969	-
Prepaid expenses and other current assets	78,897	32,747	57,682
Total Current Assets	<u>1,937,915</u>	<u>1,058,192</u>	<u>57,912</u>
Non-Current Assets			
Fixed assets	319,949	31,910	32,011
Less: accumulated depreciation	281,202	14,286	3,382
Total Non-Current Assets	<u>38,747</u>	<u>17,624</u>	<u>28,629</u>
Total Assets	<u>\$ 1,976,662</u>	<u>\$ 1,075,816</u>	<u>\$ 86,541</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 158,336	\$ 80,358	\$ 39,289
Intercompany payable	-	-	52,818
Deferred revenue	99,176	24,788	-
Current portion of long-term obligations	300,000	-	-
Total Current Liabilities	<u>557,512</u>	<u>105,146</u>	<u>92,107</u>
NET ASSETS (DEFICIT)			
Temporary restricted - Facilities	-	14,506	-
Temporary restricted - Technology	-	270,000	-
Unrestricted	1,419,150	686,164	(5,566)
Total Net Assets (Deficit)	<u>1,419,150</u>	<u>970,670</u>	<u>(5,566)</u>
Total Liabilities and Net Assets	<u>\$ 1,976,662</u>	<u>\$ 1,075,816</u>	<u>\$ 86,541</u>

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

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 1,064,590
-	1,767,285
(52,818)	-
-	169,326
<u>(52,818)</u>	<u>3,001,201</u>
-	383,870
-	298,870
-	85,000
<u>\$ (52,818)</u>	<u>\$ 3,086,201</u>
\$ -	\$ 277,983
(52,818)	-
-	123,964
-	300,000
<u>(52,818)</u>	<u>701,947</u>
-	14,506
-	270,000
-	2,099,748
<u>-</u>	<u>2,384,254</u>
<u>\$ (52,818)</u>	<u>\$ 3,086,201</u>

LARCHMONT CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Charter School	West Charter School Unrestricted	West Charter School Temporarily Restricted
REVENUES			
Revenue limit sources			
State apportionment	2,173,942	1,034,711	
In-lieu property taxes	777,253	374,697	
Federal revenue	238,114	66,811	
State revenue	1,465,375	588,162	
Local revenues	1,001,240	866,247	
Net assets released from restriction	-	15,494	(15,494)
Total Revenues	5,655,924	2,946,122	(15,494)
EXPENSES			
Program services			
Teacher salaries and benefits	3,095,346	1,525,252	-
Other student services	94,305	109,363	-
Educational programs	41,080	31,861	-
Occupancy	594,188	229,736	-
Student supplies	61,826	55,242	-
Student nutrition	189,331	195,863	-
Special education fee	128,445	55,729	-
Depreciation	47,189	7,059	-
Capital outlay	58,131	6,589	-
Subtotal	4,309,841	2,216,694	-
Management and general			
Clerical salaries and benefits	270,383	280,652	-
District supervisory fee	35,226	15,335	-
Insurance	-	-	-
Other sources and uses	500,566	234,702	-
Operating expenses	223,577	105,946	-
Subtotal	1,029,752	636,635	-
Total Expenses	5,339,593	2,853,329	-
OPERATING TRANSFERS			
Operating transfers in	-	-	300,000
Operating transfers out	-	(300,000)	-
Total Operating Transfers	-	(300,000)	300,000
CHANGE IN NET ASSETS	316,331	(207,207)	284,506
NET ASSETS (DEFICIT), BEGINNING OF YEAR	1,102,819	893,371	-
NET ASSETS (DEFICIT), END OF YEAR	\$ 1,419,150	\$ 686,164	\$ 284,506

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

Central Administration Office	Elimination	Total
-	-	3,208,653
-	-	1,151,950
-	-	304,925
-	-	2,053,537
774,090	(735,268)	1,906,309
-	-	-
774,090	(735,268)	8,625,374
51,793	-	4,672,391
-	-	203,668
848	-	73,789
9,507	-	833,431
-	-	117,068
-	-	385,194
-	-	184,174
1,027	-	55,275
16,296	-	81,016
79,471	-	6,606,006
278,967	-	830,002
-	-	50,561
87,910	-	87,910
-	(735,268)	-
327,741	-	657,264
694,618	(735,268)	1,625,737
774,089	(735,268)	8,231,743
-	-	300,000
-	-	(300,000)
-	-	-
1	-	393,631
(5,567)	-	1,990,623
\$ (5,566)	\$ -	\$ 2,384,254

LARCHMONT CHARTER SCHOOLS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Larchmont Charter School	Larchmont Charter School West Hollywood
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 316,331	\$ 77,299
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation expense	47,189	7,059
Changes in operating assets and liabilities		
Increase in accounts receivable	(366,965)	(236,685)
Increase in intercompany receivable	(35,849)	(16,969)
Decrease (Increase) in prepaid expenses	16,275	(6,218)
(Decrease) Increase in accounts payable	(18,614)	11,783
Increase in intercompany payable	-	-
(Decrease) Increase in deferred revenue	4,310	(4,296)
Net Cash Provided (Used) by Operating Activities	<u>(37,323)</u>	<u>(168,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(40,340)</u>	<u>(15,495)</u>
Net Cash Used by Investing Activities	<u>(40,340)</u>	<u>(15,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	<u>300,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>300,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	222,337	(183,522)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>378,323</u>	<u>647,452</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 600,660</u>	<u>\$ 463,930</u>

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

Central Administration Office	Total
\$ 1	\$ 393,631
1,027	55,275
(230)	(603,880)
-	(52,818)
(32,850)	(22,793)
6,108	(723)
52,818	52,818
-	14
<u>26,874</u>	<u>(178,476)</u>
<u>(26,874)</u>	<u>(82,709)</u>
<u>(26,874)</u>	<u>(82,709)</u>
<u>-</u>	<u>300,000</u>
<u>-</u>	<u>300,000</u>
-	38,815
<u>-</u>	<u>1,025,775</u>
<u>\$ -</u>	<u>\$ 1,064,590</u>

LARCHMONT CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - ORGANIZATION AND MISSION

Larchmont Charter School

Larchmont Charter Schools, Inc (the Charter Schools) was formed during 2004 as a non-profit public benefit corporation. The Corporation welcomed its first students to Larchmont Charter School. The Charter Schools petitioned through Los Angeles Unified School District (LAUSD) for a charter and was approved by the State of California Department of Education on September 25, 2005, and renewed on February 16, 2010, for a period of five years ending in 2015.

Charter School number authorized by the State: 0717

Larchmont Charter School located on 815 North El Centro Ave, Los Angeles, California, opened in September 2005, and currently serves 501 students in grades kindergarten through seventh. Larchmont Charter School strives to have the essential combination of a research-based, innovative curriculum, parent involvement in school governance and excellent test scores. It emphasizes constructivism in student learning.

Larchmont Charter School West Hollywood

Larchmont Charter School West Hollywood (the West Charter School) was formed during 2008, by the Charter Schools. The West Charter School petitioned through LAUSD for a charter and was approved by the State of California Department of Education on July 8, 2008, for a period of five years ending in 2013.

Charter School number authorized by the State: 1040

The West Charter School located on 1265 North Fairfax Ave., West Hollywood, California, opened in September 2008, and currently serves 176 students in grades kindergarten through third. Larchmont Charter School West Hollywood strives to have the essential combination of a research-based, innovative curriculum, parent involvement in school governance and excellent test scores. It emphasizes constructivism in student learning.

Central Administrative Office

Administrative functions are consolidated for the Charter Schools and accounted for separately within the financial statements using an allocation based on student enrollment.

Other Related Entities

Joint Powers Agency and Risk Management Pools - The Charter Schools are associated with the California Charter Schools Association Joint Powers Authority (CCSA-JPA). The CCSA-JPA does not meet the criteria for inclusion as a component unit of the Charter Schools. Additional information is presented in Note 11 to the financial statements.

LARCHMONT CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by the Charter Schools are described below to enhance the financial statements.

Financial Statement Presentation

The Charter Schools are required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Charter Schools had no temporarily or permanently restricted net assets, as of June 30, 2012. In addition, the Charter Schools is required to present a Statement of Cash Flows.

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Charter Schools uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending upon the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, either by the passage of time or the purpose is satisfied, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "net assets released from restrictions."

Income Taxes

The Charter Schools are a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2009 and forward may be audited by regulatory agencies, however, the Charter School is not aware of any such actions at this time.

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

LARCHMONT CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Cash

For purposes of the Statement of Cash Flows, the Charter Schools consider all cash on hand and in banks.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2012, management had determined that all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Intercompany Receivable/Payable

Intercompany receivable/payable results from a net cumulative difference between resources provided by Central Administrator Office to each individual charter school and reimbursement for those resources from each individual charter school to Central Administrator Office.

Fixed Assets

It is the Charter Schools' policy to capitalize individual property and equipment purchases over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method, over 3 to 5 years. As of June 30, 2012, depreciation expense was \$55,275.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

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, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

LARCHMONT CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Unrestricted/Designated Net Assets

Designations of the ending net assets indicate tentative plans for financial resource utilization in a future period. As of June 30, 2012, the Charter Schools have no designations.

NOTE 3 - CASH

Cash at June 30, 2012, consisted of the following:

	Reported Amount				Bank Balance
	Charter School	West Charter School	Central Administration Office	Total	
Deposits					
Cash on hand and in banks	\$ 600,660	\$ 463,930	\$ -	\$ 1,064,590	\$ 1,342,184

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter Schools maintains its cash in accounts with a financial institution that participates in the FDIC Temporary Liquidity Guarantee Program, which provides unlimited insurance for funds held in non-interest bearing accounts. At June 30, 2012, the Charter Schools did not have a balance in excess of FDIC insured limits. Management believes the Charter Schools is not exposed to any significant risk related to cash.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012, consisted of the following:

	Reported Amount			Total
	Charter School	West Charter School	Central Administration Office	
Revenue limit sources				
General purpose block grant	\$ 896,349	\$ 419,651	\$ -	\$ 1,316,000
Total Revenue Limit Sources	896,349	419,651	-	1,316,000
Federal receivable	29,517	1,157	-	30,674
State receivable	235,508	96,328	-	331,836
Lottery	47,786	27,410	-	75,196
Local receivable	13,349	-	230	13,579
Total Accounts Receivable	\$ 1,222,509	\$ 544,546	\$ 230	\$ 1,767,285

LARCHMONT CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**NOTE 5 - FIXED ASSETS**

Fixed assets at June 30, 2012, consisted of the following:

	Charter School	West Charter School	Central Administration Office	Total
Improvement of sites	\$ 290,170	\$ 15,750	\$ 2,250	\$ 308,170
Computer equipment	12,704	16,160	2,887	31,751
Furniture	17,075	-	-	17,075
Work in progress	-	-	26,874	26,874
	319,949	31,910	32,011	383,870
Less: accumulated depreciation	(281,202)	(14,286)	(3,382)	(298,870)
Total Fixed Assets	\$ 38,747	\$ 17,624	\$ 28,629	\$ 85,000

During the year ended June 30, 2012, \$55,275 was charged to depreciation expense.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	Charter School	West Charter School	Central Administration Office	Total
Salaries and benefits	\$ 29,330	\$ 27,837	\$ 6,846	\$ 64,013
Vendor payables	97,874	46,147	32,443	176,464
Due to grantor	31,132	6,374	-	37,506
Total Accounts Payable	\$ 158,336	\$ 80,358	\$ 39,289	\$ 277,983

NOTE 7 - LONG-TERM OBLIGATIONS**Line of Credit**

The Charter Schools renewed a line of credit from Pacific Western Bank on June 7, 2012, for the amount of \$300,000 with an interest rate of 5.5 percent and maturity date of July 21, 2013.

LARCHMONT CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012*NOTE 8 - OPERATING LEASE*

The Charter School entered into an agreement on June 1, 2010, with Immanuel Presbyterian Church for its campus location at 688 South Catalina Street, Los Angeles. The term commences on August 1, 2010, and expires July 31, 2013. An Addendum was made on June 1, 2010, to adjust the base fixed rent. Lease expense for the Charter Schools was \$213,300 with \$2,700 expense allocated to the Central Administrative Office totally \$216,000 for the year ended June 30, 2012.

The future minimum annual payments for the long-term lease agreement as of June 30, 2012, are as follows:

Year Ending June 30,	Charter School
2013	\$ 226,800
2014	18,900
Total	<u>\$ 245,700</u>

The Charter School entered into an agreement on May 5, 2006, with Eastfield Ming Quong, Inc for its campus location at 815 North El Centro Avenue, Los Angeles. An amendment was made in August 2011 in which the amount of rent due is \$1.99 per square foot. An additional amendment was made on to commence August 1, 2012, and extended through July 31, 2015. The lease expense for fiscal year 2011-2012 was \$370,888.

The future minimum annual payments for the long-term lease agreement as of June 30, 2012, are as follows:

Year Ending June 30,	Charter School
2013	\$ 375,647
2014	383,061
2015	390,475
2016	32,591
Total	<u>\$ 1,181,774</u>

The West Charter School entered into a one year lease on July 22, 2011, with the Los Angeles Unified School District in which the West Charter School would occupy Selma Avenue Elementary School for its campus location. The term of this agreement will expire on June 30, 2012. The lease expense for fiscal year 2011-2012 was \$41,441.

The West Charter School entered into a lease agreement with Archdiocese of Los Angeles Education and Welfare Corporation for the benefit of St. Ambrose Parish for the location on 1265 N. Fairfax Avenue, Los Angeles on April 25, 2005. An amendment was made to the original agreement on June 3, 2009. The term of this amendment lease shall be for three years commencing September 1, 2009, and expires August 30, 2012. The lease expense for fiscal year 2011-2012 was \$183,650.

LARCHMONT CHARTER SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of a 403(b) Tax Deferred Annuity Plan (TDA).

CalSTRS

Plan Description

The Charter Schools contribute to CalSTRS through the Los Angeles County Office of Education, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the Charter Schools is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The Charter's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011 and 2010, were \$239,326, \$204,040, and \$151,811, and equal 100 percent of the required contributions for each year.

The Charter Schools also contributes to a classified employee 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Charter Schools. These payments consist of State General Fund contributions to CalSTRS in the amount of \$92,036 (4.855 percent of salaries subject to CalSTRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

LARCHMONT CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10 - CONTINGENCIES

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

Litigation

The Charter Schools have various outstanding claims or litigation. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Charter Schools' financial position or result of operations.

NOTE 11 - PARTICIPATION IN JOINT POWERS AUTHORITY

The Charter Schools are participants in the California Charter Schools Association Joint Powers Authority (CCSA-JPA) for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between the Charter Schools and the CCSA-JPA is such that the CCSA-JPA is not considered a component unit of the Charter Schools for financial reporting purposes.

The CCSA-JPA has budgeting and financial reporting requirements independent of member units and the CCSA-JPA's financial statements are not presented in these financial statements; however, transactions between the CCSA-JPA and the Charter Schools are included in these statements. Audited financial statements for CCSA-JPA were not available for fiscal year 2011-2012 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2012, the Charter Schools made payments of \$138,442 to CCSA-JPA for services received. At June 30, 2012, the Charter Schools had no recorded accounts receivable or accounts payable to the CCSA-JPA.

NOTE 12 - SUBSEQUENT EVENTS

The Charter Schools' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through _____, 2012, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

LARCHMONT CHARTER SCHOOLS**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2012**

ORGANIZATION

The Larchmont Charter Schools charter was granted on February 8, 2005, and renewed on February 16, 2010, by the Los Angeles Unified School District. Larchmont Charter Schools operates one elementary school (K-5), one middle school (6-8) and one high school (grade 9 for the 2012-2013 school year but 9-12 by the 2015-2016 school year).

The Larchmont Charter Schools-West Hollywood charter was granted on July 8, 2008, also by the Los Angeles Unified School District. Larchmont Charter Schools-West Hollywood operates one elementary school (K-3) and one middle school (4-6).

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Danny Corwin	Chair	March 1, 2013
Gabi Loeb	Treasurer	March 1, 2013
Mayra Francis	Secretary	March 1, 2013
Richard Wright	Member	April 10, 2014
Amber Young Medina	Member	April 10, 2014
Carl Cade	Member	April 10, 2014
Alicia Lara	Member	January 11, 2013
Nicole Jaeger	Member	March 1, 2013
Jane Lipsitz	Member	February 7, 2014
Nick Grouf	Member	February 7, 2014
Rebecca Hutchinson	Member	April 5, 2013
Ena LaVan	Member	February 7, 2014
Kim Patillo Brownson	Member	February 7, 2014
John Amato	Member	June 12, 2014
Mark Feuerstein	Member	February 7, 2014

ADMINISTRATION

Eugene D. Straub	Executive Director
Dolores Patton	Co-Principal, Larchmont Charter Schools Elementary
Betsy Cavalier	Co-Principal, Larchmont Charter Schools Elementary
Myra Salinas	Assistant Principal, Larchmont Charter Schools Elementary
Rick Esquivel	Principal, Larchmont Charter Schools Middle
Beth Tigay	Assistant Principal, Larchmont Charter Schools Middle
Gabriel Ramirez	Assistant Principal, Larchmont High School
Kristin Droege	Principal, Larchmont Charter Schools - West Hollywood
Tiffany Castro	Assistant Principal of Operations, Larchmont Charter Schools - West Hollywood

See accompanying note to supplementary information.

LARCHMONT CHARTER SCHOOLS

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Larchmont Charter School

	Final Report	
	Second	Annual
	Period	Report
	Report	Report
ELEMENTARY SCHOOL - Total		
Kindergarten *	62.85	63.05
First through third grade *	190.65	191.26
Fourth through sixth grade *	216.54	217.03
Seventh through eighth grade *	101.36	101.36
Total Elementary School	<u>571.40</u>	<u>572.70</u>
ELEMENTARY SCHOOL - Classroom Based Instruction		
Kindergarten	62.84	62.40
First through third grade	190.62	189.36
Fourth through sixth grade	216.51	216.44
Seventh through eighth grade	101.35	101.19
Total Elementary School - Classroom Based Instruction	<u>571.32</u>	<u>569.39</u>

Larchmont Charter School - West Hollywood

	Final Report	
	Second	Annual
	Period	Report
	Report	Report
ELEMENTARY SCHOOL - Total		
Kindergarten *	44.00	44.05
First through third grade *	134.76	134.50
Fourth through fifth grade *	96.70	96.41
Total Elementary School	<u>275.46</u>	<u>274.96</u>
ELEMENTARY SCHOOL - Classroom Based Instruction		
Kindergarten	42.73	42.96
First through third grade	132.99	132.57
Fourth through fifth grade	95.89	95.75
Total Elementary School - Classroom Based Instruction	<u>271.61</u>	<u>271.28</u>

* Includes short-term independent study.

See accompanying note to supplementary information.

LARCHMONT CHARTER SCHOOLS

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012

Larchmont Charter School

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2011-12	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	*	*	36,000	34,971	52,365	175	N/A	Complied
Grades 1 - 3								
Grade 1	*	*	50,400	48,960	52,365	175	N/A	Complied
Grade 2	*	*	50,400	48,960	54,345	175	N/A	Complied
Grade 3	*	*	50,400	48,960	54,345	175	N/A	Complied
Grades 4 - 6								
Grade 4	*	*	54,000	52,457	54,345	175	N/A	Complied
Grade 5	*	*	54,000	52,457	54,345	175	N/A	Complied
Grade 6	*	*	54,000	52,457	54,345	175	N/A	Complied
Grades 7 - 8								
Grade 7	*	*	54,000	52,457	54,345	175	N/A	Complied
Grade 8	*	*	54,000	52,457	54,345	175	N/A	Complied

Larchmont Charter School West Hollywood

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2011-12	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	*	*	36,000	34,971	52,365	175	N/A	Complied
Grades 1 - 3								
Grade 1	*	*	50,400	48,960	52,365	175	N/A	Complied
Grade 2	*	*	50,400	48,960	54,345	175	N/A	Complied
Grade 3	*	*	50,400	48,960	54,345	175	N/A	Complied
Grades 4 - 5								Complied
Grade 4	*	*	54,000	52,457	54,345	175	N/A	Complied
Grade 5	*	*	54,000	52,457	54,345	175	N/A	Complied

* The Charter School was not operating in 1982-83.

See accompanying note to supplementary information.

LARCHMONT CHARTER SCHOOLS

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Larchmont Charter School</u>	<u>Larchmont Charter School - West Hollywood</u>
FUND BALANCE (Adjustment/Restatement)		
Balance, June 30, 2012, Unaudited Actuals	\$ 1,444,150	\$ 960,467
Increase the fund balance		
Audit Adjustment		
Accounts payable	(25,000)	10,203
Balance, June 30, 2012, Audited Financial Statement	<u>\$ 1,419,150</u>	<u>\$ 970,670</u>

See accompanying note to supplementary information.

LARCHMONT CHARTER SCHOOLS

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

This schedule presents information on the amount of instructional time offered by the Charter Schools and whether the Charter Schools complied with provisions of *Education Code* Sections 46200 and 46206. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made through the Los Angeles County Office of Education to the Charter Schools.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter Schools and whether the Charter Schools complied with the provisions of *Education Code* Sections 46200 through 46206.

The Charter Schools must maintain their instructional minutes at either 1982-83 actual minutes or the 1986-87 requirements; whichever is greater, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Larchmont Charter Schools
Los Angeles, California

We have audited the financial statements of Larchmont Charter Schools (the Charter Schools) (A California Non-Profit Public Benefit Corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated _____. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rancho Cucamonga, California
_____, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Larchmont Charter Schools
 Los Angeles, California

We have audited Larchmont Charter Schools' (the Charter Schools) (A California Non-Profit Public Benefit Corporation) compliance with the requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2011-2012*, applicable to Charter Schools' government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Charter Schools' management. Our responsibility is to express an opinion on Charter Schools' compliance based on our audit.

We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Charter Schools' compliance with those requirements.

In our opinion, Charter Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Not Applicable
Teacher Certification and Misassignments	3	Not Applicable
Kindergarten continuance	3	Not Applicable
Independent study	23	Not Applicable
Continuation education	10	Not Applicable
Instructional Time:		
School districts	6	Not Applicable
County offices of education	3	Not Applicable

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional Materials:		
General requirements	8	Not Applicable
Ratios of Administrative Employees to Teachers	1	Not Applicable
Classroom Teacher Salaries	1	Not Applicable
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Not Applicable
School Accountability Report Card	3	Not Applicable
Public Hearing Requirement - Receipt of Funds	1	Not Applicable
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Not Applicable
Class Size Reduction Program (including in charter schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
Districts or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	3	Yes
Mode of instruction	1	Yes
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Yes

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rancho Cucamonga, California
 _____, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LARCHMONT CHARTER SCHOOLS

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>
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LARCHMONT CHARTER SCHOOLS

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LARCHMONT CHARTER SCHOOLS

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

LARCHMONT CHARTER SCHOOLS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no audit findings reported in the prior year's schedule of financial statement findings.