

# LARCHMONT SCHOOLS



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Larchmont Schools (Larchmont 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 Larchmont 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 Larchmont 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 Larchmont 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 SCHOOLS

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2012

	Larchmont Charter School	Larchmont Charter - West Hollywood	Network Support
<b>ASSETS</b>			
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	<u>281,202</u>	<u>14,286</u>	<u>3,382</u>
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>
<b>LIABILITIES</b>			
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	<u>300,000</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>557,512</u>	<u>105,146</u>	<u>92,107</u>
<b>NET ASSETS (DEFICIT)</b>			
Temporary restricted - Facilities	-	270,000	-
Temporary restricted - Technology	-	14,506	-
Unrestricted	<u>1,419,150</u>	<u>686,164</u>	<u>(5,566)</u>
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.

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<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>

-	270,000
-	14,506
-	2,099,748
-	2,384,254

<u>\$ (52,818)</u>	<u>\$ 3,086,201</u>
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# LARCHMONT SCHOOLS

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

	Larchmont Charter School	Larchmont Charter - West Hollywood Unrestricted
<b>REVENUES</b>		
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
Total Revenues	<u>5,655,924</u>	<u>2,946,122</u>
<b>EXPENSES</b>		
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	<u>4,309,841</u>	<u>2,216,694</u>
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	<u>1,029,752</u>	<u>636,635</u>
Total Expenses	<u>5,339,593</u>	<u>2,853,329</u>
<b>OPERATING TRANSFERS</b>		
Operating transfers in	-	-
Operating transfers out	-	(300,000)
Total Operating Transfers	<u>-</u>	<u>(300,000)</u>
<b>CHANGE IN NET ASSETS</b>	316,331	(207,207)
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>1,102,819</u>	<u>893,371</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 1,419,150</u>	<u>\$ 686,164</u>

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

Larchmont Charter West Hollywood Temporarily Restricted	Network Support	Elimination	Total
\$ -	\$ -	\$ -	\$ 3,208,653
-	-	-	1,151,950
-	-	-	304,925
-	-	-	2,053,537
-	774,090	(735,268)	1,906,309
(15,494)	-	-	-
<u>(15,494)</u>	<u>774,090</u>	<u>(735,268)</u>	<u>8,625,374</u>
-	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
-	<u>79,471</u>	-	<u>6,606,006</u>
-	278,967	-	830,002
-	-	-	50,561
-	87,910	-	87,910
-	-	(735,268)	-
-	<u>327,741</u>	-	<u>657,264</u>
-	<u>694,618</u>	<u>(735,268)</u>	<u>1,625,737</u>
-	<u>774,089</u>	<u>(735,268)</u>	<u>8,231,743</u>
300,000	-	-	300,000
-	-	-	(300,000)
<u>300,000</u>	-	-	-
284,506	1	-	393,631
-	(5,567)	-	1,990,623
<u>\$ 284,506</u>	<u>\$ (5,566)</u>	<u>\$ -</u>	<u>\$ 2,384,254</u>

# LARCHMONT SCHOOLS

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

	Larchmont Charter School	Larchmont Charter - West Hollywood
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	<u>(40,340)</u>	<u>(15,495)</u>
Net Cash Used by Investing Activities	<u>(40,340)</u>	<u>(15,495)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds	<u>300,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>300,000</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	222,337	(183,522)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>378,323</u>	<u>647,452</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 600,660</u>	<u>\$ 463,930</u>

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



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Network Support	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 SCHOOLS**

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

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### ***NOTE 1 - ORGANIZATION AND MISSION***

#### **Larchmont Schools**

Larchmont Schools (formerly known as Larchmont Charter School) was formed during 2004 as a non-profit public benefit corporation and the purpose of this corporation is to develop, manage, operate, guide, direct and promote charter schools. Larchmont Charter School officially became Larchmont Schools on September 18, 2012.

The mission of Larchmont Schools is to provide a socio-economically, culturally and racially diverse community of students with an exceptional public education. We foster creativity and academic excellence; our students learn with and from each other in an experience-centered, inquiry-based learning environment. With participation from our entire community, we strive to instill in each student a dedication to improving the world we inhabit.

Larchmont Schools oversees the operation of Larchmont Charter School and Larchmont Charter – West Hollywood.

#### **Larchmont Charter School**

Larchmont Charter School 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 at 815 North El Centro Ave, Los Angeles, California, opened in September 2005, and served 624 students in grades kindergarten through seventh during the 2011/2012 school year. Larchmont Charter strives to have the essential combination of a research-based, innovative curriculum, parent involvement in school governance and academic excellence. It emphasizes constructivism in student learning.

#### **Larchmont Charter - West Hollywood**

Larchmont Charter - West Hollywood was formed during 2008, by Larchmont Schools.

Larchmont Charter - West Hollywood 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

Larchmont Charter - West Hollywood, located at 1265 North Fairfax Ave., West Hollywood, California, opened in September 2008, and served 284 students in grades kindergarten through fifth during the 2011-2012 school year.

Like its sister school, Larchmont Charter - West Hollywood strives to have the essential combination of a research-based, innovative curriculum, parent involvement in school governance and academic excellence. It emphasizes constructivism in student learning.

# LARCHMONT SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### Network Support

Administrative functions are consolidated for Larchmont 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** - Larchmont 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 Larchmont Schools. Additional information is presented in Note 11 to the financial statements.

### *NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

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

#### **Financial Statement Presentation**

Larchmont Schools is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Larchmont Schools had no temporarily restricted net assets, as of June 30, 2012. In addition, Larchmont 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. Larchmont 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."

# LARCHMONT SCHOOLS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### **Income Taxes**

Larchmont Schools is 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, Larchmont Schools is not aware of any such actions at this time.

Larchmont Schools 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.

### **Cash**

For purposes of the Statement of Cash Flows, Larchmont Schools considers 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 Network Support to each individual charter school and reimbursement for those resources from each individual charter school to Network Support.

### **Fixed Assets**

It is Larchmont 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 Larchmont Schools' 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.

# LARCHMONT SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### 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.

### 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, Larchmont Schools have no designations.

### NOTE 3 - CASH

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

	Reported Amount				
	Larchmont Charter School	Larchmont Charter - West Hollywood	Network Support	Total	Bank Balance
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). Larchmont 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, Larchmont Schools did not have a balance in excess of FDIC insured limits. Management believes Larchmont Schools is not exposed to any significant risk related to cash.

# LARCHMONT SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### NOTE 4 - ACCOUNTS RECEIVABLE

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

	Larchmont Charter School	Larchmont Charter - West Hollywood	Network Support	Total
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	<u>\$ 1,222,509</u>	<u>\$ 544,546</u>	<u>\$ 230</u>	<u>\$ 1,767,285</u>

### NOTE 5 - FIXED ASSETS

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

	Larchmont Charter School	Larchmont Charter - West Hollywood	Network Support	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	<u>\$ 38,747</u>	<u>\$ 17,624</u>	<u>\$ 28,629</u>	<u>\$ 85,000</u>

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

# LARCHMONT SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

### NOTE 6 - ACCOUNTS PAYABLE

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

	Larchmont Charter School	Larchmont Charter - West Hollywood	Network Support	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	<u>\$ 158,336</u>	<u>\$ 80,358</u>	<u>\$ 39,289</u>	<u>\$ 277,983</u>

### NOTE 7 - LONG-TERM OBLIGATIONS

#### Line of Credit

Larchmont 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.

### NOTE 8 - OPERATING LEASE

Larchmont 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 Larchmont Charter was \$213,300 with \$2,700 expense allocated to Network Support totaling \$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,	Larchmont Charter School
2013	\$ 226,800
2014	18,900
Total	<u>\$ 245,700</u>

Larchmont 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.

## LARCHMONT SCHOOLS

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

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

Larchmont Charter - West Hollywood entered into a one year lease on July 22, 2011, with the Los Angeles Unified School District in which Larchmont Charter - West Hollywood 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.

Larchmont Charter - West Hollywood 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. (On August 20, 2012, a renewal was signed, effective July 30, 2012.) The lease expense for fiscal year 2011-2012 was \$183,650.

#### **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).

#### **CalSTRS**

##### **Plan Description**

Larchmont 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.



# LARCHMONT SCHOOLS

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and Larchmont 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. Larchmont Schools' 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.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of Larchmont 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.

### ***NOTE 10 - CONTINGENCIES***

Larchmont Schools 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**

Larchmont Schools has 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 Larchmont Schools' financial position or result of operations.

### ***NOTE 11 - PARTICIPATION IN JOINT POWERS AUTHORITY***

Larchmont Schools is a participant 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 Larchmont Schools and the CCSA-JPA is such that the CCSA-JPA is not considered a component unit of Larchmont Schools for financial reporting purposes.

## **LARCHMONT SCHOOLS**

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

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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 Larchmont 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, Larchmont Schools made a payment of \$138,442 to CCSA-JPA for services received. At June 30, 2012, Larchmont Schools had no recorded accounts receivable or accounts payable to the CCSA-JPA.

#### ***NOTE 12 - SUBSEQUENT EVENTS***

Larchmont 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 October 31, 2012, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions (except noted below) that would have a material impact on the current year financial statements.

On September 18, 2012, Larchmont Charter School changed its name and is now Larchmont Schools

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*SUPPLEMENTARY INFORMATION*

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# LARCHMONT SCHOOLS

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2012

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### ORGANIZATION

Larchmont Charter was granted on February 8, 2005, and renewed on February 16, 2010, by the Los Angeles Unified School District. Larchmont Charter 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).

Larchmont Charter - West Hollywood charter was granted on July 8, 2008, by the Los Angeles Unified School District. Larchmont Schools-West Hollywood operates one elementary school (K-3) and one middle school (grades 4-6 for the 2012-2013 school year, but 4-8 by the 2014-2015 school year)

### 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 Schools Elementary
Betsy Cavalier	Co-Principal, Larchmont Schools Elementary
Myra Salinas	Assistant Principal, Larchmont Schools Elementary
Rick Esquivel	Principal, Larchmont Schools Middle
Beth Tigay	Assistant Principal, Larchmont Schools Middle
Gabriel Ramirez	Assistant Principal, Larchmont High School
Kristin Droege	Principal, Larchmont Schools - West Hollywood
Tiffany Castro	Assistant Principal of Operations, Larchmont Schools - West Hollywood

See accompanying note to supplementary information.

# LARCHMONT SCHOOLS

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

### Larchmont Charter

	Final Report	
	Second	Annual
	Period	Report
Report	Report	
<b>ELEMENTARY SCHOOL - Total</b>		
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>
<b>ELEMENTARY SCHOOL - Classroom Based Instruction</b>		
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 - West Hollywood

	Final Report	
	Second	Annual
	Period	Report
Report	Report	
<b>ELEMENTARY SCHOOL - Total</b>		
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>
<b>ELEMENTARY SCHOOL - Classroom Based Instruction</b>		
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 SCHOOLS

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

#### Larchmont Charter

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 was not operating in 1982-83.

#### Larchmont Charter - 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

\* Larchmont Charter - West Hollywood was not operating in 1982-83.

See accompanying note to supplementary information.

## LARCHMONT SCHOOLS

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

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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 - 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 SCHOOLS

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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### *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 Larchmont Schools and whether Larchmont 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 Larchmont Schools.

#### **Schedule of Instructional Time**

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

Larchmont 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.



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***INDEPENDENT AUDITORS' REPORTS***

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**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 Schools  
Los Angeles, California

We have audited the financial statements of Larchmont Schools (Larchmont 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 Larchmont Schools' 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 Larchmont Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Larchmont Schools' 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 Larchmont Schools' 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 Schools  
 Los Angeles, California

We have audited Larchmont Schools (Larchmont 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 Larchmont Schools' government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of Larchmont Schools' management. Our responsibility is to express an opinion on Larchmont 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 Larchmont 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 Larchmont 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 Larchmont Schools' compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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	Yes
Option one classes	3	Yes
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	No, see below
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	4	Yes

We did not perform testing for independent study because ADA was below the threshold required for testing and Larchmont Schools did not operate a full-time independent study program.

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

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# LARCHMONT SCHOOLS

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

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### 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 SCHOOLS**

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

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None reported.



**LARCHMONT SCHOOLS**

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

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None reported.

**LARCHMONT SCHOOLS**

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

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