



ANNUAL FINANCIAL REPORT  
JUNE 30, 2019

**LIBERTAS COLLEGE PREPARATORY**  
**CHARTER SCHOOL**      No. 1711

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

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**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Libertas College Preparatory Charter School  
(A California Nonprofit Public Benefit Corporation)  
Los Angeles, California

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

We have audited the accompanying financial statements of Libertas College Preparatory Charter School (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. 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; and the 2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School'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 Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Charter School, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2019, on our consideration of the Charter School's 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 solely 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 effectiveness of the Charter School's 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 Charter School's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 13, 2019



## **FINANCIAL STATEMENTS**

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

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**ASSETS**

Current Assets

Cash and cash equivalents	\$ 879,490	
Accounts receivable	415,699	
Prepaid expenses	29,888	
Total Current Assets		\$ 1,325,077

Non-Current Assets

Property and equipment	25,054	
Less: Accumulated depreciation	(8,090)	
Total Non-Current Assets		16,964

Total Assets		\$ 1,342,041
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**LIABILITIES**

Current Liabilities

Accounts payable	\$ 138,692	
Deferred revenue	220,315	
Current portion of long-term obligation	55,327	
Total Current Liabilities		\$ 414,334

Non-current liabilities

Non-current portion of long-term obligations		448,501
Total Liabilities		862,835

**NET ASSETS**

Without Donor Restrictions	479,206	
Total Net Assets		479,206
Total Liabilities and Net Assets		\$ 1,342,041

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

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**REVENUES**

Local Control Funding Formula	\$ 2,544,025
Federal revenue	435,881
Other State revenue	626,200
Local revenues	<u>115,574</u>
Total Revenue	<u>3,721,680</u>

**EXPENSES**

Program services	2,673,853
Management and general	<u>829,383</u>
Total Expenses	<u>3,503,236</u>

**CHANGE IN NET ASSETS**

218,444

**NET ASSETS, BEGINNING OF YEAR**

260,762

**NET ASSETS, END OF YEAR**

\$ 479,206

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

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 218,444
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	3,344
Changes in operating assets and liabilities	
Increase in accounts receivable	(175,203)
Increase in prepaid expenses	(3,790)
Increase in deferred revenue	220,315
Increase in accounts payable	103,022
Net Cash Provided by Operating Activities	<u>366,132</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital expenditures	<u>(12,100)</u>
Net Cash Used by Investing Activities	<u>(12,100)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Loan Proceeds	533,501
Loan principal payments	<u>(129,675)</u>
Net Cash Provided by Financing Activities	<u>403,826</u>
<b>NET CHANGE IN CASH</b>	757,858
<b>CASH, BEGINNING OF YEAR</b>	<u>121,632</u>
<b>CASH, END OF YEAR</b>	<u>\$ 879,490</u>
<b>Supplemental cash flow disclosure:</b>	
Cash paid during the period for interest	<u>\$ 7,005</u>

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



**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Total Expenses
Personnel			
Salaries	\$ 1,550,102	\$ 133,667	\$ 1,683,769
Employee benefits	137,519	12,242	149,761
Payroll taxes	116,875	10,073	126,948
Subtotal Personnel	<u>1,804,496</u>	<u>155,982</u>	<u>1,960,478</u>
Operating			
Fees for services	182,059	443,536	625,595
Advertising and promotions	-	9,332	9,332
Office expenses	-	34,193	34,193
Information technology	-	29,615	29,615
Occupancy	174,399	15,031	189,430
Travel	-	2,439	2,439
Interest	-	7,005	7,005
Depreciation	3,344	-	3,344
Insurance	4,516	18,065	22,581
Other expenses	31,182	88,725	119,907
Capital outlay	53,066	-	53,066
Special education	158,442	-	158,442
Instructional materials	82,015	-	82,015
Nutrition	180,334	-	180,334
District oversight fee	-	25,460	25,460
Subtotal Operating	<u>869,357</u>	<u>673,401</u>	<u>1,542,758</u>
Total Functional Expenses	<u><u>\$ 2,673,853</u></u>	<u><u>\$ 829,383</u></u>	<u><u>\$ 3,503,236</u></u>

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

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES***

Libertas College Preparatory Charter School (the Charter School) is a non-profit public benefit corporation and was approved for a charter by the Los Angeles Unified School District on August 26, 2014, for a period of five years ending in 2020. On September 2019, the Charter School was renewed for an additional five years ending in 2025.

Charter school number authorized by the State: 1711

The Charter School located at 3875 Dublin Avenue, Los Angeles, CA 90008 opened in July 2015 and currently serves 270 students in grades fourth through eighth. The mission of the Charter School is to equip middle school students in grades four through eight with the academic skills and the strength of character needed to thrive in and graduate from high-performing high schools and competitive colleges.

**Other Related Entities**

**Joint Powers Agency and Risk Management Pools** – The Charter School is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Charter School. Additional information is presented in Note 13 to the financial statements.

**Cash and Cash Equivalents**

The Charter School considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

**Prepaid Expenses**

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Charter School has reported prepaid items either when purchased or during the benefiting period.

**Property and Equipment**

Fixed assets additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Charter School reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Charter School's policy is to designate donor gifts without restriction at the discretion of the board of directors. The board of directors has not designated net assets without donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of June 30, 2019, the Charter School has no net assets with donor restrictions.

**Revenue Recognition**

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Charter School receives federal grants, which are paid through the California Department of Education or other state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

**Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements, are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Charter School is a California nonprofit 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 2015 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Charter School to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**Recent Accounting Pronouncements**

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Charter School for the year ended June 30, 2020.

**Change in Accounting Policy**

As of July 1, 2018, the Charter School adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Charter School's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Charter School's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Charter School's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statement of activities net of external and direct internal investment expenses.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Charter School has elected not to present comparative information for these amendments.

The Charter School has adopted this standard as management believes the standard improves the usefulness and understandability of the Charter School’s financial reporting.

**Adjustments Resulting from Change in Accounting Policy**

As disclosed above, the Charter School adopted the provisions of *ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Charter School’s June 30, 2018 financial statements.

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Unrestricted	260,762	(260,762)	\$ -
Net assets without donor restrictions	-	260,762	260,762

**NOTE 2 - CASH**

Cash at June 30, 2019, consisted of the following:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits		
Cash on hand and in banks and credit unions	<u>\$ 879,490</u>	<u>\$ 899,989</u>

Cash balances held in banks and credit unions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Charter School maintains its cash in bank and credit union deposit accounts that at times may exceed insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2019, the Charter School had a balance of \$626,347 in excess of insured limits. Management believes the Charter School is not exposed to any significant risk related to cash.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprises the following:

Cash and cash equivalents <sup>1</sup>	\$ 210,674
Accounts receivable and other assets	445,587
	<u>\$ 656,261</u>

<sup>1</sup> Excludes Prop 1D funds

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019, consisted of the following:

Local Control Funding Formula	\$ 186,959
Federal receivable	105,812
State receivable	44,810
Lottery	30,623
Local receivable	47,495
Total Accounts Receivable	<u>\$ 415,699</u>

**NOTE 5 - PREPAID EXPENSES**

Prepaid expenses at June 30, 2019, consisted of the following:

Prepaid rent, insurance, and miscellaneous vendors	<u>\$ 29,888</u>
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**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 6 - PROPERTY AND EQUIPMENT***

Fixed assets at June 30, 2019, consisted of the following:

Furniture	\$	3,221
Computer equipment		21,833
Less: accumulated depreciation		(8,090)
Total Fixed Assets	\$	<u>16,964</u>

***NOTE 7 - ACCOUNTS PAYABLE***

Accounts payable at June 30, 2019, consisted of the following:

Payroll and benefits	\$	8,638
Vendor payables		88,938
Due to grantor		41,116
Total Accounts Payable	\$	<u>138,692</u>

***NOTE 8 - DEFERRED REVENUE***

Deferred revenue at June 30, 2019, consisted of the following:

Prop 1D Funds	\$	<u>220,315</u>
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***NOTE 9 - LONG-TERM OBLIGATION***

**Charter School Revolving Loan Program**

During the 2015-2016 fiscal year, the Charter School applied for and was accepted into the California School Finance Authority Charter School Revolving Loan Program. The Charter School received a loan in the amount of \$250,000. The loan bears an interest rate of 0.3 percent and will be repaid during the months of September, October, November, December, January and February of each year. The loan is scheduled to be repaid over a period of five years and the repayments will be withheld from the apportionment payments due to the Charter School. As of June 30, 2019, the remaining balance was \$50,004.



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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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The repayment schedule is as follows:

Repayment Year	Principal	Interest	Total
2020	\$ 50,004	\$ 254	\$ 50,258

**Line of Credit**

The Charter School obtained a \$150,000 line of credit with California Credit Union. At June 30, 2019, the outstanding balance on the line of credit is \$5,323. The interest rate on this line of credit is equal 7.00 percent. The line expires on November 1, 2021.

**Proposition 1D**

Propositions 1D, passed by California voters in November 2002, established the Charter School Facility Program and provided for charter schools that provide site-based instruction to access State of California facility funding directly for the construction of new charter schools or additions to existing charter schools. Per Proposition 1D one-half of the approved project costs paid under the award are reimbursed in the form of a State grant (recorded as earned revenue and proposition expense on the Statement of Activities and Changes in Net Assets) and one-half of the approved project costs paid under the award are required to be remitted back to the State of California in the form of loan payments over a period not to exceed 30 years.

During the fiscal year ended June 30, 2018, the Charter School was awarded \$15,780,342 in Charter School Facilities Program funding established by Proposition 1D. The Charter School has received the initial design funds in the amount of \$897,002 as of the fiscal year ended June 30, 2019. At June 30, 2019, the project is ongoing. The balance of \$448,501 in long-term obligations represent one-half of the costs to be incurred for the Charter School's approved Proposition 1D project.

***NOTE 10 – FACILITIES USE AGREEMENT***

The Charter School entered into a one year lease during the 2018-2019 fiscal year, with Los Angeles Unified School District in which the Charter School would occupy the Tom Bradley Environmental Science & Humanities Magnet site located at 3875 Dublin Ave, Los Angeles for it's campus location. Lease expense for fiscal year 2018-2019 was \$183,622.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS***

**403(b) Tax Deferred Annuity Plan**

The Charter Schools also contribute 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.

***NOTE 12 - 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 School is not currently a party to any legal proceedings.

***NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITY***

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

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and the Charter School are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, the Charter School made payments of \$29,725 to CharterSAFE for services received. At June 30, 2019, the Charter School had no recorded accounts receivable or accounts payable to CharterSAFE.

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**NOTES TO FINANCIAL STATEMENTS**  
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***NOTE 14 - SUBSEQUENT EVENTS***

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2019 through December 13, 2019, 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**

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2019**

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**ORGANIZATION**

Libertas College Preparatory Charter School (the Charter School) (Charter School No. 1711) was granted on August 26, 2014, by the Los Angeles Unified School District and opened in July 2015. The Charter School operates one school, grades fourth through eighth.

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM</u>
Kara Maguire	Chair	February 2023
Gregory Pope	Treasurer	May 2024
Hilda Echeverria	Secretary	January 2025
Stephanie Hurder	Member	May 2020
Gary Olson	Member	May 2024
Lacey Johnson	Member	January 2025
Brandis Johnson	Member	June 2022

**ADMINISTRATION**

Anna Carlstone-Hurst	Head of School
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See accompanying note to supplementary information.

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Fourth through sixth	138.73	139.60
Seventh and eighth	108.45	108.47
Total Regular ADA	<u>247.18</u>	<u>248.07</u>
Classroom based ADA		
Fourth through sixth	138.73	139.60
Seventh and eighth	108.45	108.47
Total Classroom based ADA	<u>247.18</u>	<u>248.07</u>

The Charter School did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 4 - 5	54,000				
Grade 4		68,635	186	N/A	Complied
Grade 5		68,635	186	N/A	Complied
Grade 6		68,635	186	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		68,635	186	N/A	Complied
Grade 8		68,635	186	N/A	Complied

See accompanying note to supplementary information.

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Balance, June 30, 2019, Unaudited Actuals	\$ 539,829
Increase in:	
Cash	295,661
Accounts receivable	416,225
Prepaid expenses and other current assets	25,510
Accounts payables	(129,203)
Deferred revenues	(220,315)
Long-term debt	<u>(448,501)</u>
Balance, June 30, 2019, Audited Financial Statement	<u>\$ 479,206</u>

See accompanying note to supplementary information.



**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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***NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES***

**Local Education Agency Organization Structure**

This schedule provides information about the school operations, members of the governing board, and members of the administration.

**Schedule of Average Daily Attendance**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

**Reconciliation of Annual Financial Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual Financial Report to the audited financial statements.



**INDEPENDENT AUDITOR'S REPORTS**



**INDEPENDENT AUDITOR'S 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  
Libertas College Preparatory Charter School  
(A California Nonprofit Public Benefit Corporation)  
Los Angeles, California

We have audited, in accordance with the 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 Libertas College Preparatory Charter School (the Charter School) which comprise the statement of financial position as of June 30, 2019, and the related statement of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School'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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 13, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Libertas College Preparatory Charter School  
(A California Nonprofit Public Benefit Corporation)  
Los Angeles, California

### **Report on State Compliance**

We have audited Libertas College Preparatory Charter School's (the Charter School) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Charter School's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

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

Our responsibility is to express an opinion on compliance of each of the Charter School's State programs based on our audit of the types of compliance requirements referred to above. 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Charter School's 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 opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, the Charter School 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, 2019.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Charter School did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The Charter School does not operate a before school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

The Charter School does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

The Charter School does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

The Charter Schools did not receive funding for the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

*Eide Sully LLP*

Rancho Cucamonga, California  
December 13, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**LIBERTAS COLLEGE PREPARATORY CHARTER SCHOOL  
(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.