



Consolidated Financial Statements
June 30, 2022 and 2021

LA Promise Fund

(Operating Russell Westbrook Why Not? Middle School - No. 1818
and Russell Westbrook Why Not? High School - No. 1817)



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Independent Auditor's Report

Governing Board
LA Promise Fund
Los Angeles, California

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of LA Promise Fund (the Organization) (a California Nonprofit Public Benefit Corporation), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements of 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information on pages 24-34 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards and other supplementary information is fairly stated in all material respects in relation to the consolidated 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 November 30, 2022 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
November 30, 2022

LA Promise Fund
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 9,376,794	\$ 4,936,341
Restricted cash	10,264,102	-
Promises to give	2,104,298	1,095,404
Receivables	1,645,772	2,693,028
Prepaid expenses	164,927	61,969
Total current assets	23,555,893	8,786,742
Non-current assets		
Restricted cash	1,858,340	-
Security deposits	52,941	52,941
Property and equipment, net	23,962,028	130,391
Total non-current assets	25,873,309	183,332
Total assets	\$ 49,429,202	\$ 8,970,074
Liabilities		
Current liabilities		
Accounts payable	\$ 1,067,267	\$ 432,924
Accrued liabilities	413,462	178,632
Accrued compensated absences	179,337	151,066
Current portion of Deferred revenue from operating lease	1,037,865	-
Refundable advance	588,993	427,252
Refundable advance - Paycheck Protection Plan (PPP)	-	1,240,087
Current portion of revolving loan	-	112,500
Total current liabilities	3,286,924	2,542,461
Long-term liabilities		
Deferred revenue from operating lease, less current portion	2,129,733	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium/discount	34,615,880	-
California School Finance Authority loan	1,852,000	-
Total long-term liabilities	38,597,613	-
Total liabilities	41,884,537	2,542,461
Net Assets		
Without donor restrictions	6,022,290	5,431,393
With donor restrictions	1,522,375	996,220
Total net assets	7,544,665	6,427,613
Total liabilities and net assets	\$ 49,429,202	\$ 8,970,074

See Notes to Consolidated Financial Statements

LA Promise Fund
Consolidated Statements of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 3,939,610	\$ 1,796,451	\$ 5,736,061
Local Control Funding Formula	4,649,302	-	4,649,302
Federal revenue	2,256,003	-	2,256,003
Other state revenue	739,675	-	739,675
PPP loan forgiveness revenue	1,240,087	-	1,240,087
In-kind contributions	150,546	-	150,546
Rental income	586,937	-	586,937
Other income	1,003,045	-	1,003,045
Net assets released from restrictions	1,270,296	(1,270,296)	-
Total support and revenues	15,835,501	526,155	16,361,656
Expenses			
Program services	11,987,083	-	11,987,083
Management and general	2,885,586	-	2,885,586
Fundraising	371,935	-	371,935
Total expenses	15,244,604	-	15,244,604
Change in Net Assets	590,897	526,155	1,117,052
Net Assets, Beginning of Year	5,431,393	996,220	6,427,613
Net Assets, End of Year	\$ 6,022,290	\$ 1,522,375	\$ 7,544,665

LA Promise Fund
Consolidated Statements of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 2,116,016	\$ 1,846,220	\$ 3,962,236
Local Control Funding Formula	4,598,740	-	4,598,740
Federal revenue	1,562,939	-	1,562,939
Other state revenue	624,799	-	624,799
Special events income	250,000	-	250,000
Other income	1,933,572	-	1,933,572
Net assets released from restrictions	1,993,115	(1,993,115)	-
Total support and revenues	<u>13,079,181</u>	<u>(146,895)</u>	<u>12,932,286</u>
Expenses			
Program services	8,306,595	-	8,306,595
Management and general	2,270,227	-	2,270,227
Fundraising	271,022	-	271,022
Total expenses	<u>10,847,844</u>	<u>-</u>	<u>10,847,844</u>
Change in Net Assets	2,231,337	(146,895)	2,084,442
Net Assets, Beginning of Year	<u>3,200,056</u>	<u>1,143,115</u>	<u>4,343,171</u>
Net Assets, End of Year	<u>\$ 5,431,393</u>	<u>\$ 996,220</u>	<u>\$ 6,427,613</u>

LA Promise Fund
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 5,631,660	\$ 778,170	\$ 309,845	\$ 6,719,675
Health insurance	463,089	67,957	14,303	545,349
Retirement plan	79,394	20,122	515	100,031
Payroll taxes	439,166	59,559	23,624	522,349
Bank charges and other fees	5	48,964	-	48,969
Office supplies	432,007	25,796	672	458,475
Occupancy	1,006,220	179,386	-	1,185,606
Telephone	45,485	11,874	889	58,248
Printing	35,190	260	44	35,494
Professional services	602,723	331,053	4,800	938,576
Outside services	310,290	25,994	13,106	349,390
Equipment rent and maintenance	7,280	12,101	-	19,381
Dues and subscriptions	15,152	10,458	1,197	26,807
Postage	3,237	4,294	78	7,609
Travel	2,032	775	775	3,582
Mileage	6,723	99	558	7,380
Conferences and meetings	27,804	8,053	879	36,736
Food and catering	38,284	36,351	630	75,265
School expenses	1,296,242	-	-	1,296,242
Interest	-	692,716	-	692,716
Software and small equipment	364,433	70,721	-	435,154
Grants	464,684	-	-	464,684
Scholarships	144,800	-	-	144,800
Teacher stipends	9,500	-	-	9,500
Student/teacher transportation	333,642	-	-	333,642
Depreciation	86,566	329,711	-	416,277
Insurance	126,825	42,596	20	169,441
Other expenses	14,650	724,490	-	739,140
Eliminations	-	(595,914)	-	(595,914)
Total functional expenses	\$ 11,987,083	\$ 2,885,586	\$ 371,935	\$ 15,244,604

LA Promise Fund
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 4,676,585	\$ 454,793	\$ 94,386	\$ 5,225,764
Health insurance	368,939	48,111	7,124	424,174
Retirement plan	45,225	31,204	2,228	78,657
Payroll taxes	352,087	27,949	4,996	385,032
Bank charges and other fees	-	9,325	-	9,325
Office supplies	139,738	105,385	6,445	251,568
Occupancy	399,365	50,933	-	450,298
Telephone	19,171	41,030	586	60,787
Printing	7,187	83	507	7,777
Professional services	173,540	1,284,657	63,585	1,521,782
Outside services	280,103	16,734	74,459	371,296
Equipment rent and maintenance	7,713	9,464	-	17,177
Licenses	100	513	-	613
Dues and subscriptions	12,552	10,135	5,600	28,287
Development	-	52	-	52
Postage	1,448	234	64	1,746
Mileage	1,075	254	-	1,329
Conferences and meetings	22,854	148	-	23,002
Food and catering	4,958	2,753	-	7,711
School expenses	374,403	-	-	374,403
Interest	-	1,680	-	1,680
Software and small equipment	228,560	81,915	35	310,510
Grants	314,266	-	-	314,266
Scholarships	82,074	-	2,078	84,152
Teacher stipends	133,606	-	-	133,606
Student/teacher transportation	4,759	-	-	4,759
Depreciation	64,664	2,352	1,694	68,710
Insurance	87,727	19,323	5,662	112,712
Other expenses	503,896	71,200	1,573	576,669
Total functional expenses	\$ 8,306,595	\$ 2,270,227	\$ 271,022	\$ 10,847,844

LA Promise Fund
Consolidated Statement of Cash Flows
Year Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 1,117,052	\$ 2,084,442
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	416,277	68,710
Interest expense attributable to the amortization of bond issuance costs and premium/discount on bonds	37,184	-
PPP loan forgiveness	(1,240,087)	-
Change in operating assets and liabilities		
Promises to give	(1,008,894)	(295,976)
Receivables	1,047,256	(1,698,118)
Prepaid expenses	(102,958)	41,650
Accounts payable	634,343	(402,339)
Accrued liabilities	234,830	35,200
Accrued compensated absences	28,271	(17,644)
Deferred revenue from operating lease	3,167,598	-
Refundable advance	161,741	(359,655)
Net Cash from (used for) Operating Activities	4,492,613	(543,730)
Investing Activities		
Purchases of property and equipment	(24,247,914)	(75,324)
Financing Activities		
Proceeds from issuance of bonds	35,156,296	-
Proceeds from issuance of California School Finance Authority loan	1,852,000	-
Principal payments on capital lease	-	(2,072)
Principal payments on revolving loan	(112,500)	(112,500)
Bond Issuance Costs	(577,600)	-
Net Cash from (used for) Financing Activities	36,318,196	(114,572)
Net Change in Cash, Cash Equivalents, and Restricted Cash	16,562,895	(733,626)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	4,936,341	5,669,967
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 21,499,236	\$ 4,936,341

LA Promise Fund
Consolidated Statement of Cash Flows
Year Ended June 30, 2022 and 2021

Cash and cash equivalents	\$ 9,376,794	\$ 4,936,341
Cash restricted to construction	10,264,102	-
Cash restricted to debt obligations	<u>1,858,340</u>	<u>-</u>
 Total Cash, Cash Equivalents, and Restricted Cash, End of Year	 <u>\$ 21,499,236</u>	 <u>\$ 4,936,341</u>
 Supplemental Cash Flow Disclosure		
Cash paid during the year in interest	<u>\$ 655,532</u>	<u>\$ 1,680</u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

LA Promise Fund (the Organization), formerly known as LA's Promise, is a California nonprofit public benefit corporation whose mission is to prepare Los Angeles students for success in college, career and life. The Los Angeles Promise Fund is a unique hybrid, operating programs in partnership with Los Angeles Unified School District at two traditional, comprehensive high schools and a middle school, as well as operating two charter schools in South LA. Further amplifying its impact, the Organization runs high profile, far-reaching programs and engagement opportunities available to students and teachers across Los Angeles County. This structure allows for both high touch, intensive supports on school sites, inside and outside of the traditional district system, while also serving students through high profile, innovative programs that are available to students countywide.

As of June 30, 2016, LA's Promise was renamed to LA Promise Fund and acquired the assets and assumed the liabilities of the Los Angeles Fund for Public Education (LA Fund) to create an organization with even more reach and depth.

The Organization's vision is to ensure that students growing up in poverty receive an excellent education through vibrant school community hubs that graduate all student's college and career ready, thereby radically improving the future of an entire community.

The Organization works within SLATE-Z, a federally designated Promise Zone, and manages its own public schools. These public schools are LA's Promise Charter Middle School #1 and LA's Promise Charter High School #1 which have been renamed as of July 1, 2021 to Russell Westbrook Why Not? Middle School (RWWNMS) and Russell Westbrook Why Not? High School (RWWNHS).

Over the coming years, the Organization's goal is to adopt feeder schools to build a K-12 educational pipeline serving over 6,000 children.

Other Related Entities

LA Promise Facilities LLC (the LLC) is a California limited liability company whose sole member is the Organization. The LLC was organized with the purpose of supporting and holding properties that will be leased to the Organization for its charter school campus locations.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the Unified States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ending June 30, 2021, from which summarized information was derived.

Principles of Consolidation

The consolidated financial statements include accounts of the Organization and the LLC because the Organization has controlling financial interest in the LLC. All significant intra-entity accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

Basis of Accounting

The accompanying consolidated financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

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 with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary 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.

Cash and Cash Equivalents

The Organization 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. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

Restricted Cash

Restricted cash in the amount of \$10,264,102 represents the remaining balance of funds received which are limited in use for the payment of costs of constructing and operating new facilities resulting from proceeds of the Charter School Revenue Bonds. Non-current restricted cash in the amount of \$1,858,340 relates to the debt service reserve requirements related to the Charter School Revenue Bonds and is held as non-current to satisfy the long-term obligation.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022, the Organization evaluated the collectability of promises to give and no allowance for uncollectable promises to give was considered necessary.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding receivables as of June 30, 2022, are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Intra-Entity Transactions

Intra-entity transactions results from a net cumulative difference between resources provided by the Foundation account to each charter school and reimbursement for those resources from each charter school to the Foundation account. Intra-entity transfers include certain costs of shared liabilities and shared assets between the Organization.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is 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 are removed from the accounts, and any remaining gain or loss is included in the consolidated 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 Organization reviews the carrying values of property and equipment 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, 2022.

Revenue and Revenue Recognition

Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. Consequently, at June 30, 2022, conditional contributions approximating \$1,653,560, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding on a straight-line basis. Debt issuance costs are included within bonds payable in the consolidated statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

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 (Note 10).

Functional Allocation of Expenses

The consolidated financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy which are allocated on managements estimates, as well as salaries and wages, benefits, payroll taxes, professional services, food and catering, software and small equipment, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its consolidated statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's consolidated financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its consolidated statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for the Organization for the year ended June 30, 2023. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2021, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Note 2 - Liquidity and Availability

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

	2022	2021
Cash and cash equivalents	\$ 9,376,794	\$ 4,936,341
Receivables	1,645,772	2,693,028
Promises to give	2,104,298	1,095,404
Financial assets at year end	13,126,864	8,724,773
Less those available for general expenditure within one year due to donor-imposed restrictions:		
Restrictions by donor with purpose restrictions	(5,000)	(5,000)
Restrictions by donor with time restrictions	-	-
	(5,000)	(5,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 13,121,864	\$ 8,719,773

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	2022	2021
Within one year	\$ 2,104,298	\$ 1,095,404

At June 30, 2022 and 2021, three donors accounted for 84% and 82% of total promises to give, respectively. Three contributors accounted for approximately 53% and two contributors accounted for approximately 23% of total contribution revenue for the years ended June 30, 2022 and 2021, respectively.

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2022 and 2021:

	2022	2021
Building	\$ 23,755,648	\$ 16,480
Building Improvements	20,515	-
Computer and equipment	830,901	565,124
Furniture	15,055	11,901
Work in progress	219,300	-
	24,841,419	593,505
Less accumulated depreciation	(879,391)	(463,114)
Total	\$ 23,962,028	\$ 130,391

Note 5 - Deferred Revenue from Operating Lease

On December 18, 1996 a lease agreement was entered into between Benon and Stanman Southgate Partnership, a General Partnership, and Los Angeles Community College District to lease 2340 Firestone Boulevard. An addendum to the lease was signed on January 30, 1997; another amendment was signed on April 2, 2019; and lease extensions were signed on February 14, 2007, and January 31, 2014, all of which extended the term of the lease to August 14, 2023.

On December 10, 2021, LA Promise Fund Facility LLC purchased the property located at 2340 Firestone Boulevard. Due to this purchase an amendment to the above lease was signed on December 1, 2021 to assign the lease from Benon and Stanman Southgate Partnership to LA Promise Fund Facility LLC, as the lessor. This amendment also extended the lease through June 14, 2024. On December 22, 2021, Los Angeles Community College District prepaid all lease payments through June 14, 2024 which is included in deferred revenue from operating lease. Lease revenues for fiscal year 2021-2022 was \$570,724 which is included in rental income. As of June 30, 2022, the deferred revenue from operating lease has a balance of \$3,167,598.

Future lease revenues will be recognized as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	
2023	\$ 1,037,865
2024	<u>2,129,733</u>
	<u>\$ 3,167,598</u>

Note 6 - Bonds Payable

Charter School Lease Revenue Bonds, Series 2021A

On December 2, 2021, the Organization issued \$34,180,000 in uncollateralized Charter School Lease Revenue Bonds. The bonds mature on June 1, 2061, with interest rates of 4 percent. Unamortized bonds issuance costs are amortized on a straight line basis over the life of the bond. Proceeds of the bonds will be used to finance the costs of the acquisition, expansion, remodeling, improvement, furnishing and/or equipping of certain charter school educational facilities, fund capitalized interest on bonds through December 2024, and pay certain costs of issuance of the bonds. The bonds require the Organization to comply with payment coverage ratios and days cash on hand requirements.

\$ 34,180,000

Charter School Lease Revenue Bonds, Series 2021B

On December 2, 2021, the Organization issued \$885,000 in uncollateralized Charter School Lease Revenue Bonds. The bonds mature on June 1, 2027, with interest rates of 5 percent. Unamortized bonds issuance costs are amortized on a straight line basis over the life of the bond. Proceeds of the bonds will be used to finance the costs of the acquisition, expansion, remodeling, improvement, furnishing and/or equipping of certain charter school educational facilities, fund capitalized interest on bonds through December 2024, and pay certain costs of issuance of the bonds. The bonds require the Organization to comply with payment coverage ratios and days cash on hand requirements.

885,000

Subtotal outstanding bonds

35,065,000

Premium on Charter School Lease Bonds, Series 2021B

862,100

Bond issuance costs on Charter School Lease Revenue Bonds, Series 2021A

(379,837)

Bond issuance costs on Charter School Lease Revenue Bonds, Series 2021B

(931,383)

Subtotal debt issuance costs on bonds

(1,311,220)

Total

\$ 34,615,880

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal
2023	\$ -
2024	-
2025	-
2026	445,000
2027	465,000
Thereafter	34,155,000
	35,065,000
Less unamortized debt issuance costs	(1,311,220)
Unamortized bond premium	862,100
Total	\$ 34,615,880

Note 7 - Revolving Loan

The RWWNMS applied for, and was accepted, into the California School Finance Authority Revolving Loan Fund Program in 2015-2016. RWWNMS received an uncollateralized loan in the amount of \$250,000. The loan bears an interest rate of 0.60% with a maturity date in 2022. The repayment will be withheld from the RWWNMS future apportionment payments. In 2021-2022, RWWNMS paid the final balance of \$50,000.

The RWWNHS applied for, and was accepted, into the California School Finance Authority Revolving Loan Fund Program in 2017-2018. RWWNHS received an uncollateralized loan in the amount of \$250,000. The loan bears an interest rate of 1.05% with a maturity date in 2022. The repayment will be withheld from the RWWNHS future apportionment payments. In 2021-2022, RWWNHS paid the final balance of \$62,500.

Note 8 - Operating Lease

RWWNMS entered into a lease agreement with Los Angeles Unified School District in which RWWNMS will occupy Obama Global Preparation Academy for its campus location. The term of this agreement expires on June 30, 2022. Lease expense for the fiscal year ending June 30, 2022, was \$210,907, which is included in occupancy in the consolidated statement of functional expenses.

During the 2018-2019 fiscal school year, LA Promise Fund renewed its lease agreement on behalf of RWWNHS with St. Brigid Catholic Church located at West 52nd Street, Los Angeles, California. The term of the lease terminates on June 30, 2020. On May 1, 2020, RWWNHS amended the term of this lease and was extended for one year commencing in July 1, 2020 and ending in June 30, 2021. On June 29, 2021, RWWNHS amended the term of the lease and was extended for one year commencing in July 1, 2021 and ending in June 30, 2022. On March 3, 2021, RWWNHS amended the term of the lease and was extended for one year commencing in July 1, 2022 and ending in June 30, 2023. Rent expense for fiscal year 2021-2022 was \$153,223 which is included in occupancy.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Lease Payment
2023	\$ 159,568

During the 2020-2021 fiscal school year, LA Promise Fund entered into a two-year lease agreement on behalf of RWWNHS with Alta Public Schools, a California nonprofit public benefit corporation. The term of the lease is effective July 1, 2021 and terminates on June 30, 2023. Lease expenses for fiscal year 2021-2022 was \$374,310 which is included in occupancy.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Lease Payment
2023	\$ 385,539

The Organization receives no sublease rental revenues nor pays any contingent rentals associated with these leases.

Note 9 - Net Assets

Net assets consist of the following at June 30, 2022:

	2022	2021
Net Assets Without Donor Restrictions		
Prepaid assets	\$ 164,927	\$ 61,969
Undesignated net assets	5,857,363	5,369,424
Total net assets without donor restrictions	\$ 6,022,290	\$ 5,431,393

Net Assets with Donor Restrictions		
Subject to expenditure for specified purpose		
Emergency Food and Shelter Program	\$ 5,000	\$ 5,000
	<u> </u>	<u> </u>
Subject to passage of time		
Promise to give that are not restricted by donors, but are unavailable for expenditure until due	1,517,375	991,220
	<u> </u>	<u> </u>
Total nets assets with donor restrictions	<u>\$ 1,522,375</u>	<u>\$ 996,220</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the years ended June 30, 2022.

	<u>2022</u>	<u>2021</u>
Net assets released from donor restriction		
Expiration of time restrictions	\$ 1,270,296	\$ 1,914,485
Satisfaction of purpose restrictions		
Emergency Food and Shelter Program	-	5,000
SLATE-Z college access program	-	73,630
	<u> </u>	<u> </u>
Total nets assets released from donor restrictions	<u>\$ 1,270,296</u>	<u>\$ 1,993,115</u>

Note 10 - In-kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the consolidated statements of activities included the following:

	<u>2022</u>	<u>2021</u>
Rental payments	<u>\$ 150,546</u>	<u>\$ -</u>

During the year ended June 30, 2022, the Organization had a lease agreement in place with Maker City LA LLC, a California Limited liability company, to lease 1933 S. Broadway, 11th Floor. Maker City LA LLC and LA Promise Fund have decided not to continue the lease, but LA Promise Fund will continue to occupy the location until Maker City LA LLC finds another tenant rent free with a fair value of \$150,546 obtained from the lease agreement between Maker City LA LLC and LA Promise Fund. It is unknown when Maker City LA LLC will find a new tenant.

These in-kind contributions received during the year ended June 30, 2022 were unrestricted.

Note 11 - Employee Retirement Systems

The Organization has a defined contribution plan (the Plan) currently covering all employees with eligibility defined as 30 days or a minimum of 1,000 hours of service in the calendar year. The Organization makes a matching contribution equal to participants' contributions to the Plan of a match rate of 100% for the first 3% and 50% on the next 2% of participant's salary contributed. Total expense for the year ended June 30, 2022, was \$100,030.

Note 12 - Contingencies, Risks, and Uncertainties

The Organization 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.

Note 13 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the consolidated financial statements through November 30, 2022, which is the date the consolidated 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 consolidated financial statements.



Supplementary Information
June 30, 2022

LA Promise Fund

LA Promise Fund
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through Los Angeles County Office of Education (LACOE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 144,387
Special Education Grants to States - Mental Health Allocation Plan	84.027A	15197	3,994
Subtotal			<u>148,381</u>
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	[1]	<u>71,836</u>
Passed through California Department of Education (CDE)			
Title I Grants to Local Educational Agencies - Basic			
Grants Low-Income Neglected	84.010	14329	201,563
Title I Grants to Local Educational Agencies - School Improvement	84.010	15438	<u>231,922</u>
Subtotal			<u>433,485</u>
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	125,145
COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	312,909
COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserves	84.425D	15618	40,587
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	337,766
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	30,741
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	84.425U	15621	34,108
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	22,336
COVID-19 - Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	<u>10,823</u>
Subtotal			<u>914,415</u>
Title II, Part - Supporting Effective Instruction Local Arts in Education	84.367 84.351A	14341 [1]	19,621 <u>667,037</u>
Total U.S. Department of Education			<u>2,254,775</u>
U.S. Department of Agriculture			
Passed through CDE			
Pandemic EBT Local Administrative Grant	10.649	15644	<u>1,228</u>
Total Federal Financial Assistance			<u>\$ 2,256,003</u>

[1] Pass-Through Entity Identifying Number not available or was a direct award.

ORGANIZATION

Russell Westbrook Why Not? Middle School (RWWNMS) (Charter School No. 1818) was granted on February 9, 2016, by the Los Angeles County Office of Education and opened on August 30, 2016. RWWNMS operates one school for students in grades six through eight.

Russell Westbrook Why Not? High School (RWWNHS) (Charter School No. 1817) was granted on February 9, 2016, by the Los Angeles County Office of Education and opened on August 15, 2017. RWWNHS operates one school for students in grades nine through eleven and will grow to serve students in grades nine through twelve.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Megan Chernin	Co-Chair	June 1, 2024
Stephen Prough	Co-Chair	September 1, 2021
Dean Hallett	Treasurer	March 9, 2025
Elizabeth Mann	Secretary	June 1, 2024
Cathy Bender	Member	June 2, 2024
Paul de Bernier	Member	June 24, 2025
Ivelisse Estrada	Member	June 24, 2025
Andrea Foggy-Paxton	Member	June 24, 2022
Kathleen Kennedy	Member	June 24, 2025
Frank Marshall	Member	June 24, 2024
Brian McNamee	Member	March 9, 2025
Simon Osborn	Member	June 24, 2024
Ali Powell	Member	June 24, 2025
Melissa Stephens	Member	November 8, 2022
Alison Temple	Member	April 21, 2023
Jaime Uzeta	Member	September 24, 2023
Danielle Vick	Member	March 26, 2023
Donnell Beverly	Member	December 10, 2023
Sophia Garcia	Member	June 25, 2023
Amit Verna	Member	June 25, 2023
Russell Westbrook	Member	June 10, 2023
Duncan Tanesha	Member	June 23, 2025
Fernando Fernandez	Member	June 23, 2025

ADMINISTRATION

Veronica Melvin	President and Chief Executive Director
Justin Shahbaz	Principal – RWWNMS
Zeidy Revolorio	Principal – RWWNHS
Donna Jacobson	Chief Academic Officer

LA Promise Fund
 Schedule of Average Daily Attendance
 Year Ended June 30, 2022

RWWNMS

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	32.96	33.57
Seventh and eighth	115.08	115.76
Total regular ADA	148.04	149.33
Classroom Based ADA		
Sixth	32.96	33.57
Seventh and eighth	115.08	115.76
Total classroom based ADA	148.04	149.33

RWWNHS

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through eleventh	199.14	198.41
Classroom Based ADA		
Ninth through eleventh	196.33	195.66

LA Promise Fund
Schedule of Instructional Time
Year ended June 30, 2022

RWWNMS

Grade Level	1986-1987	2021-2022	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Minutes Requirement	Actual Minutes			Traditional Calendar	Multitrack Calendar			
Grade 6	54,000	73,350	-	73,350	181	-	-	181	Complied
Grades 7 - 8	54,000								
Grade 7		73,350	-	73,350	181	-	-	181	Complied
Grade 8		73,350	-	73,350	181	-	-	181	Complied

RWWNHS

Grade Level	1986-1987	2021-2022	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Minutes Requirement	Actual Minutes			Traditional Calendar	Multitrack Calendar			
Grades 9 - 12	64,800								
Grade 9		71,207	-	71,207	181	-	-	181	Complied
Grade 10		71,207	-	71,207	181	-	-	181	Complied
Grade 11		71,207	-	71,207	181	-	-	181	Complied
Grade 12		71,207	-	71,207	181	-	-	181	Complied

LA Promise Fund

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

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

	RWWNMS	RWWNHS
Net Assets		
Balance, June 30, 2022, Unaudited Actuals	\$ 1,970,077	\$ 1,787,691
Increase in		
Accounts receivable	88,854	81,534
Intra-entity payable	(87,900)	(162,552)
	\$ 1,971,031	\$ 1,706,673
Balance, June 30, 2022, Audited Financial Statements	\$ 1,971,031	\$ 1,706,673

LA Promise Fund
Consolidating Statement of Financial Position
June 30, 2022

	Foundation	LA Promise Facilities LLC	RWWNMS
Assets			
Current assets			
Cash and cash equivalents	\$ 2,218,242	\$ 3,346,093	\$ 2,192,673
Restricted cash	-	10,264,102	-
Promises to give	2,104,298	-	-
Receivables	-	-	639,796
Intra-entity receivable	952,699	3,253	148,963
Prepaid expenses	69,273	800	2,945
Total current assets	<u>5,344,512</u>	<u>13,614,248</u>	<u>2,984,377</u>
Non-current assets			
Restricted cash	-	1,858,340	-
Intra-entity loan receivables, less current portion	125,000	-	-
Security deposits	52,941	-	-
Property and equipment, net	189,080	23,628,757	108,753
Total non-current assets	<u>367,021</u>	<u>25,487,097</u>	<u>108,753</u>
Total assets	<u>\$ 5,711,533</u>	<u>\$ 39,101,345</u>	<u>\$ 3,093,130</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 521,572	\$ -	\$ 276,782
Accrued liabilities	137,796	-	151,355
Accrued compensated absences	147,818	-	16,824
Current portion of Deferred revenue from operating lease	-	1,037,865	-
Refundable advance	-	-	342,235
Intra-entity payables	503,253	-	334,903
Total current liabilities	<u>1,310,439</u>	<u>1,037,865</u>	<u>1,122,099</u>
Long-term liabilities			
Deferred revenue from operating lease, less current portion	-	2,129,733	-
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium/discount	-	34,615,880	-
California School Finance Authority loan	-	1,852,000	-
Intra-entity loan	-	-	-
Total long-term liabilities	<u>-</u>	<u>38,597,613</u>	<u>-</u>
Total liabilities	<u>1,310,439</u>	<u>39,635,478</u>	<u>1,122,099</u>
Net Assets			
Without donor restrictions	2,878,719	(534,133)	1,971,031
With donor restrictions	1,522,375	-	-
Total net assets	<u>4,401,094</u>	<u>(534,133)</u>	<u>1,971,031</u>
Total liabilities and net assets	<u>\$ 5,711,533</u>	<u>\$ 39,101,345</u>	<u>\$ 3,093,130</u>

See Notes to Supplementary Information

LA Promise Fund
Consolidating Statement of Financial Position
June 30, 2022

	RWWNHS	Eliminations	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,619,786	\$ -	\$ 9,376,794
Temporary restricted cash	-	-	10,264,102
Promises to give	-	-	2,104,298
Receivables	1,005,976	-	1,645,772
Intra-entity receivable	536,222	(1,641,137)	-
Prepaid expenses	91,909	-	164,927
Total current assets	<u>3,253,893</u>	<u>(1,641,137)</u>	<u>23,555,893</u>
Non-current assets			
Temporary restricted cash	-	-	1,858,340
Intra-entity loan receivables, less current portion	-	(125,000)	-
Security deposits	-	-	52,941
Property and equipment, net	35,438	-	23,962,028
Total non-current assets	<u>35,438</u>	<u>(125,000)</u>	<u>25,873,309</u>
Total assets	<u>\$ 3,289,331</u>	<u>\$ (1,766,137)</u>	<u>\$ 49,429,202</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 268,913	\$ -	\$ 1,067,267
Accrued liabilities	124,311	-	413,462
Accrued compensated absences	14,695	-	179,337
Current portion of Deferred revenue from operating lease	-	-	1,037,865
Refundable advance	246,758	-	588,993
Intra-entity payables	802,981	(1,641,137)	-
Total current liabilities	<u>1,457,658</u>	<u>(1,641,137)</u>	<u>3,286,924</u>
Long-term liabilities			
Deferred revenue from operating lease, less current portion	-	-	2,129,733
Bonds payable, less current portion and net of unamortized bond issuance costs and bond premium/discount	-	-	34,615,880
California School Finance Authority loan	-	-	1,852,000
Intra-entity loan	125,000	(125,000)	-
Total long-term liabilities	<u>125,000</u>	<u>(125,000)</u>	<u>38,597,613</u>
Total liabilities	<u>1,582,658</u>	<u>(1,766,137)</u>	<u>41,884,537</u>
Net Assets			
Without donor restrictions	1,706,673	-	6,022,290
With donor restrictions	-	-	1,522,375
Total net assets	<u>1,706,673</u>	<u>-</u>	<u>7,544,665</u>
Total liabilities and net assets	<u>\$ 3,289,331</u>	<u>\$ (1,766,137)</u>	<u>\$ 49,429,202</u>

See Notes to Supplementary Information

LA Promise Fund
Consolidating Statement of Activities
Year Ended June 30, 2022

	<u>Foundation</u>	<u>LA Promise Facilities LLC</u>	<u>RWWNMS</u>
Support and Revenues			
Contributions	\$ 5,736,061	\$ -	\$ -
Local Control Funding Formula	-		1,805,001
Federal revenue	667,037	-	674,060
Other state revenue	-	-	295,865
PPP loan forgiveness revenue	694,448	-	322,423
In-kind contributions	150,546	-	-
Rental income	-	596,480	-
Other income	588,662	9,321	149,499
	<u>7,836,754</u>	<u>605,801</u>	<u>3,246,848</u>
Total support and revenues			
Expenses			
Program services	5,095,949	-	2,647,478
Management and general	840,191	1,139,934	590,136
Fundraising	371,935	-	-
	<u>6,308,075</u>	<u>1,139,934</u>	<u>3,237,614</u>
Total expenses			
Change in Net Assets	1,528,679	(534,133)	9,234
Net Assets, Beginning of Year	<u>2,872,415</u>	<u>-</u>	<u>1,961,797</u>
Net Assets, End of Year	<u>\$ 4,401,094</u>	<u>\$ (534,133)</u>	<u>\$ 1,971,031</u>

LA Promise Fund
Consolidating Statement of Activities
Year Ended June 30, 2022

	<u>RWWNHS</u>	<u>Eliminations</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ -	\$ -	\$ 5,736,061
Local Control Funding Formula	2,844,301		4,649,302
Federal revenue	914,906	-	2,256,003
Other state revenue	443,810	-	739,675
PPP loan forgiveness revenue	223,216	-	1,240,087
In-kind contributions	-	-	150,546
Rental income	-	(9,543)	586,937
Other income	841,934	(586,371)	1,003,045
	<u>5,268,167</u>	<u>(595,914)</u>	<u>16,361,656</u>
Total support and revenues			
Expenses			
Program services	4,243,656	-	11,987,083
Management and general	911,239	(595,914)	2,885,586
Fundraising	-	-	371,935
	<u>5,154,895</u>	<u>(595,914)</u>	<u>15,244,604</u>
Total expenses			
Change in Net Assets	113,272	-	1,117,052
Net Assets, Beginning of Year	<u>1,593,401</u>	<u>-</u>	<u>6,427,613</u>
Net Assets, End of Year	<u>\$ 1,706,673</u>	<u>\$ -</u>	<u>\$ 7,544,665</u>

Note 1 - Purpose of Supplementary Schedules

Consolidated Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization has not elected to use the ten percent de minimis cost rate.

Local Education Agency Organization Structure

This schedule provides information about the Organization's 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 Organization. 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 at the Organization.

Schedule of Instructional Time

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

The Organization 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.

Consolidating Statement of Financial Position and Consolidating Statement of Activities

The consolidating statement of financial position and consolidating statement of activities report the activities of the Organization and related entities and are presented on the accrual basis of accounting. Eliminating entries in the consolidating statement of financial position and consolidating statement of activities are for activities between the Organization and related entities.



Independent Auditor's Reports
June 30, 2022

LA Promise Fund



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
LA Promise Fund
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 consolidated financial statements of LA Promise Fund (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’s consolidated 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
November 30, 2022



Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
LA Promise Fund
Los Angeles, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited LA Promise Fund's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
November 30, 2022



**Independent Auditor’s Report on State Compliance; Report on Internal Control Over Compliance
Required by the 2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State
Compliance Reporting**

Governing Board
LA Promise Fund
Los Angeles, California

Report on State Compliance

Unmodified Opinion

We have audited LA Promise Fund’s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2022.

In our opinion, the Organization complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization’s compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed below has occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with compliance requirements as identified in the table below that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
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
Ratio 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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
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 and Accountability Plan	Yes
Independent Study-Course Based	No, see below

	Procedures Performed
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for “Local Education Agencies Other Than Charter Schools” are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because the Organization did not receive funding for this program.

The Organization does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The Organization does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The Organization’s charter schools were not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform procedures for the Determination of Funding for Nonclassroom-Based Instruction because the Charter Schools were not classified as nonclassroom-based.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
November 30, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

LA Promise Fund

Consolidated Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Education Stabilization Fund	84.425C, 84.425D, 84.425U
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over state compliance for programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

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