

**VAUGHN NEXT CENTURY LEARNING CENTER
CHARTER SCHOOL NUMBER: #0016**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**VAUGHN NEXT CENTURY LEARNING CENTER
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YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vaughn Next Century Learning Center
San Fernando, California

Report on the Financial Statements

We have audited the accompanying financial statements of Vaughn Next Century Learning Center (Vaughn), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 on page 1 present fairly, in all material respects, the financial position of Vaughn as of June 30, 2021, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on Vaughn’s financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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 is not a required part of the basic financial statements. The K-12, Preschool, and Elimination columns in the statements of financial position, activities, cash flows and functional expenses in addition to the accompanying supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2022 on our consideration of Vaughn’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 on Vaughn’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 Vaughn’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022

**VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	K-12	Pre-School	Eliminations	Total Vaughn
CURRENT ASSETS				
Cash in County Treasury	\$ 13,102,126	\$ -	\$ -	\$ 13,102,126
Cash in Banks	5,745,791	64,496	-	5,810,287
Accounts Receivable - Federal and State	8,179,543	369	(369)	8,179,543
Prepaid Expenses and Other Current Assets	1,146,250	-	-	1,146,250
Total Current Assets	28,173,710	64,865	(369)	28,238,206
LONG-TERM ASSETS				
Investments	67,433,156	-	-	67,433,156
Capital Assets, Net	106,153,440	-	-	106,153,440
Total Long-Term Assets	173,586,596	-	-	173,586,596
Total Assets	\$ 201,760,306	\$ 64,865	\$ (369)	\$ 201,824,802
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,433,995	\$ 369	\$ (369)	\$ 1,433,995
Accrued Payroll	3,210,900	-	-	3,210,900
Deferred Revenue	3,106,697	64,496	-	3,171,193
Total Current Liabilities	7,751,592	64,865	(369)	7,816,088
LONG-TERM LIABILITIES				
OPEB Liability	562,113	-	-	562,113
Total Long-Term Liabilities	562,113	-	-	562,113
Total Liabilities	8,313,705	64,865	(369)	8,378,201
NET ASSETS				
Without Donor Restrictions:				
Invested in Capital Assets, Net of Debt	106,153,440	-	-	106,153,440
Undesignated	86,488,262	-	-	86,488,262
Total Net Assets Without Donor Restrictions	192,641,702	-	-	192,641,702
With Donor Restrictions	804,899	-	-	804,899
Total Net Assets	193,446,601	-	-	193,446,601
Total Liabilities and Net Assets	\$ 201,760,306	\$ 64,865	\$ (369)	\$ 201,824,802

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	K-12	Pre-School	Eliminations	Total Vaughn
NET ASSETS WITHOUT DONOR RESTRICTIONS				
REVENUES				
State Revenue:				
State Aid	\$ 25,858,687	\$ -	\$ -	\$ 25,858,687
Other State Revenue	2,730,620	2,150,512	-	4,881,132
Federal Revenue:				
Grants and Entitlements	11,330,528	-	-	11,330,528
Local Revenue:				
In-Lieu Property Tax Revenue	8,382,831	-	-	8,382,831
Contributions	7,582	-	-	7,582
Investment Income	10,082,510	-	-	10,082,510
Other Revenue	602,075	-	(472,800)	129,275
Total Revenues	58,994,833	2,150,512	(472,800)	60,672,545
EXPENSES				
Program Services	38,288,717	1,955,011	(472,800)	39,770,928
Management and General	3,917,464	195,501	-	4,112,965
Total Expenses	42,206,181	2,150,512	(472,800)	43,883,893
Change in Net Assets Without Donor Restrictions	16,788,652	-	-	16,788,652
NET ASSETS WITH DONOR RESTRICTIONS				
State Revenue:				
Other State Revenue	804,899	-	-	804,899
Change in Net Assets With Donor Restrictions	804,899	-	-	804,899
CHANGE IN TOTAL NET ASSETS	17,593,551	-	-	17,593,551
Net Assets - Beginning of Year	175,853,050	-	-	175,853,050
NET ASSETS - END OF YEAR	\$193,446,601	\$ -	\$ -	\$193,446,601

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	K-12			Pre-School			Eliminations	Total Vaughn
	Program Services	Management and General	Total K-12	Program Services	Management and General	Total Pre-School		
Salaries and Wages	\$ 22,776,537	\$ 1,146,938	\$ 23,923,475	\$ 1,296,352	\$ -	\$ 1,296,352	\$ -	\$ 25,219,827
Pension Expense	1,808,617	812,567	2,621,184	-	-	-	-	2,621,184
Other Employee Benefits	1,361,723	722,797	2,084,520	247,082	-	247,082	-	2,331,602
Payroll Taxes	618,991	278,097	897,088	-	-	-	-	897,088
Instructional Materials	580,454	-	580,454	80,764	-	80,764	-	661,218
Legal Expenses	-	30,969	30,969	-	-	-	-	30,969
Accounting Expenses	-	25,934	25,934	-	-	-	-	25,934
Other Fees for Services	2,430,157	142,299	2,572,456	83,613	-	83,613	-	2,656,069
Office Expenses	1,183,942	-	1,183,942	-	-	-	-	1,183,942
Occupancy Expenses	1,465,419	38,481	1,503,900	247,200	-	247,200	(472,800)	1,278,300
Travel Expenses	213,747	-	213,747	-	-	-	-	213,747
Interest Expense	-	109,967	109,967	-	-	-	-	109,967
Depreciation Expense	3,413,174	69,657	3,482,831	-	-	-	-	3,482,831
Insurance Expense	-	244,035	244,035	-	-	-	-	244,035
Other Expenses	2,435,956	295,723	2,731,679	-	195,501	195,501	-	2,927,180
Total	\$ 38,288,717	\$ 3,917,464	\$ 42,206,181	\$ 1,955,011	\$ 195,501	\$ 2,150,512	\$ (472,800)	\$ 43,883,893

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	<u>K-12</u>	<u>Pre-School</u>	<u>Eliminations</u>	<u>Total Vaughn</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 17,593,551	\$ -	\$ -	\$ 17,593,551
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:				
Depreciation	3,482,831	-	-	3,482,831
Realized and Unrealized Investment (Gains) Losses	(8,479,126)	-	-	(8,479,126)
Change in Operating Assets:				
Accounts Receivable - Federal and State	(1,879,691)	160,733	(160,733)	(1,879,691)
Prepaid Expenses and Other Current Assets	(161,490)	-	-	(161,490)
Change In Operating Liabilities:				
Accounts Payable	(3,794,102)	(160,733)	160,733	(3,794,102)
Accrued Payroll	377,643	-	-	377,643
Deferred Revenue	2,661,020	64,496	-	2,725,516
Accrued Interest Payable	(376,210)	-	-	(376,210)
OPEB Liability	93,369	-	-	93,369
Net Cash Flows Provided by Operating Activities	<u>9,517,795</u>	<u>64,496</u>	<u>-</u>	<u>9,582,291</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Investments	4,000,000	-	-	4,000,000
Purchase of Investments	(5,329,043)	-	-	(5,329,043)
Purchases of Property, Plant, and Equipment	(3,332,194)	-	-	(3,332,194)
Net Cash Flows Used by Investing Activities	<u>(4,661,237)</u>	<u>-</u>	<u>-</u>	<u>(4,661,237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Debt	(8,500,000)	-	-	(8,500,000)
Net Cash Flows Used by Financing Activities	<u>(8,500,000)</u>	<u>-</u>	<u>-</u>	<u>(8,500,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,643,442)	64,496	-	(3,578,946)
Cash and Cash Equivalents - Beginning of Year	<u>22,491,359</u>	<u>-</u>	<u>-</u>	<u>22,491,359</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,847,917</u>	<u>\$ 64,496</u>	<u>\$ -</u>	<u>\$ 18,912,413</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest	<u>\$ 486,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,177</u>
Reconciliation to Statement of Financial Position:				
Cash in County Treasury	\$ 13,102,126	\$ -	\$ -	\$ 13,102,126
Cash in Banks	5,745,791	64,496	-	5,810,287
Total Cash and Cash Equivalents	<u>\$ 18,847,917</u>	<u>\$ 64,496</u>	<u>\$ -</u>	<u>\$ 18,912,413</u>

See accompanying Notes to Financial Statements.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Vaughn Next Century Learning Center (Vaughn) provides preschool, elementary, middle school, and high school education offering improved learning facilities for underprivileged children in an impoverished, overcrowded neighborhood in the city of Los Angeles. Vaughn receives most of its support from the Federal and State governments through the State of California and Los Angeles Unified School District (LAUSD). As a charter school under LAUSD authorization, Vaughn is considered to be part of LAUSD but it is independent from the district in that all decisions, including those regarding management and the use of funds, are made at the school level.

Vaughn accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of Vaughn conform to U.S. generally accepted accounting principles as applicable to nonprofit organizations.

The following summary of significant accounting policies of Vaughn is provided to assist the reader in interpreting the basic financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

Reporting Entity

Vaughn is authorized by Los Angeles Unified School District (LAUSD) to operate as a charter school starting July 1, 1993. Vaughn operated as an unincorporated public educational agency until May 2, 2011 when it was incorporated in the State of California as a California Nonprofit Public Benefit Corporation. The incorporation and amendment of bylaws were approved by the Board of Education of the City of Los Angeles (LAUSD governing board) and Vaughn's governing board. Vaughn has received a tax exemption status under Internal Revenue Code Section 501(c)(3) and California Revenue & Taxation Code Section 23701(d).

Vaughn is presenting its financial reporting in accordance with the Financial Accounting Standard Board, standards set forth for nonprofit entities.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing Vaughn's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include depreciation and occupancy which are allocated on a square footage basis, as well as salaries and wages, pension expense, other employee benefits, and payroll taxes which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

Vaughn defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and other approved purposes.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes (Continued)

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Accounts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Management writes-off uncollectible amounts through a charge to bad debt expense account and an adjustment to the allowance for doubtful accounts.

Investments

Investments are reported at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820. Earnings from investments are recorded as other local income in these financial statements. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date. All realized and unrealized gains or losses on investments are reported as increase or decrease in net assets without donor restrictions and classified as operating activities.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital expenditure that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Any gain or loss on the sale of land, buildings, and other property is reported as other revenues on the financial statement of activities. Depreciation on all assets is calculated on the straight-line basis over the various estimated useful lives ranging from 5 to 39.

Buildings	39 Years
Improvements	15 Years
Furniture and Equipment	7 Years
Library Materials	5 Years

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by Vaughn based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when Vaughn has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2021, Vaughn has conditional grants of \$27,293,557 of which \$3,171,193 is recognized as deferred revenue in the statement of financial position.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of Vaughn is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Vaughn employees earn sick days based on the amount of time worked annually. Unused sick days for full-time employees is cumulative from year to year and can be accrued. Unused sick days cannot be converted to cash. Vaughn's policy is to record the use of sick days and substitute payment as an operating expense in the period taken. Thus sick days are not recognized as a liability.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Vaughn is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. Vaughn is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. Vaughn files an exempt return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Subsequent Events

Vaughn has evaluated subsequent events through February 23, 2022, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

Cash and Cash Equivalents	\$ 18,912,413
Accounts Receivable	8,179,543
Less: Net Assets With Donor Restrictions	<u>(804,899)</u>
Total	<u><u>\$ 26,287,057</u></u>

As part of its liquidity management plan, Vaughn monitors liquidity required and cash flows to meet operating needs on a monthly basis. The school structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Cash in County Treasury	\$ 13,102,126
Cash with Financial Institutions	5,810,287
Long-Term Investments	67,433,156

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash in County Treasury

In accordance with Education Code 41001, Vaughn maintains substantial amount of its cash in the Los Angeles County Treasury as part of the common investment pool. The fair value of Vaughn's deposits as of June 30, 2021 as provided by the pool sponsor was \$13,102,126. The County is authorized to deposit cash and invest funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Cash with Financial Institutions

Vaughn also maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. Vaughn has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Long-Term Investments by Vanguard Asset Management Services

Investments are held by Vanguard Asset Management Services in the following managed investment accounts:

1. Endowment Account
2. Employee Incentive Account
3. Capital Project Fund Account; and
4. LockBox Account

The target allocation of the Endowment and Employee Incentive accounts is 70% equity and 30% fixed-income or bonds. In October 2018, a separate, fourth account named "Lockbox" was established for the approximately \$10 million of assets in the Endowment account that had been set aside in April 2018 to preserve the substantial amount of capital gains realized over the past 10 years. The Lockbox account consists of two conservative bond funds (i.e., 100% fixed income or bonds). The target allocation of the Capital Projects Fund account is 60% equity and 40% bonds.

For the first three accounts listed above, the Vanguard manager uses a mix of Vanguard actively managed and Vanguard index funds encompassing small, medium, and large capitalization U.S. stocks. The Vanguard manager uses Vanguard index funds as the investment vehicles for international stocks and bonds, as well as a mix of Vanguard bond funds encompassing a range of duration (from short term to long-term) and credit quality (U.S. government bonds to high-yield corporate bonds). For the Lockbox account, the Vanguard manager uses a mix of Vanguard actively managed funds that consist of high- and medium-quality, investment-grade and government bonds with short-term maturities.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Long-Term Investments by Vanguard Asset Management Services (Continued)

All investments are subject to risks. Equities are subject to market risk, with small and medium capitalization stocks historically having been more volatile than large capitalization stocks. Foreign investing involves additional risks including currency fluctuations and political uncertainty. Stocks of companies in emerging markets are generally riskier than stocks of companies in developing countries. Investments in bond funds are subject to credit, interest rate, and inflation risk.

Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the statement of financial position as of June 30, 2021. However, the diversification of Vaughn's invested assets among these various asset classes should mitigate the impact of any dramatic change on any one asset class.

In the third quarter of 2019, Vaughn adopted a more index-centric equity and longer duration bond approach and directed the Vanguard manager to transfer investments that had been held in actively managed funds such as Vanguard's Explorer, U.S. Growth, and Windsor II funds to index funds and investments held in short-term bond funds to long-term bond funds. In the first quarter of 2020, Vaughn directed the Vanguard manager to reallocate 36 percent of its equity investments to Vanguard's Global Minimum Volatility fund to reduce portfolio volatility.

NOTE 4 FAIR VALUE MEASUREMENT

Vaughn applies the provisions of FASB ASC 820, *Fair Value Measurements, and Disclosures*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Although Vaughn believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB ASC 820 also establishes a fair value hierarchy that requires Vaughn to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect Vaughn's market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,

Level 2 – Inputs consist of observable inputs other than quoted prices for identical assets, and

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

Level 3 – Inputs are unobservable; supported by little or no market activity and have the lowest priority.

Vaughn uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Fair Value Measurements

The following are total fair value measurement investments held by Vaughn at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income Funds	\$ 31,315,294	\$ -	\$ -	\$ 31,315,294
Equity Funds	36,117,862	-	-	36,117,862
Total Investments at Fair Value	<u>\$ 67,433,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,433,156</u>

The following schedule summarizes the composition of investment return for the year ended June 30, 2021:

Dividends and Interest	\$ 1,668,898
Realized and Unrealized Gains	8,479,126
Investment Fees	(65,514)
Total Return on Investments	<u>\$ 10,082,510</u>

NOTE 5 CAPITAL ASSETS

Capital assets in the accompanying financial statements are presented net of accumulated depreciation. Vaughn capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense was \$3,482,831 for the year ended June 30, 2021.

One of Vaughn’s buildings, Pandaland, is pledged as collateral for the Letter of Credit issued by East West bank covering the QSCB issued in October 2010 (see Note 7). The building was appraised at \$14,300,000 and had a book value of \$9,134,481, net of depreciation.

Furthermore, one of the campuses, the Mainland Elementary School, used by Vaughn is owned by LAUSD. Vaughn has the right to use the property as long as the entity operates as a charter school.

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 CAPITAL ASSETS (CONTINUED)

The components of capital assets as of June 30, 2021 are as follows:

Depreciable Assets:	
Building and Improvements	\$ 114,864,439
Library Materials	176,268
Equipment	<u>5,306,852</u>
Total Depreciable Assets	120,347,559
Less: Accumulated Depreciation	<u>(29,972,176)</u>
Net Depreciable Assets	<u><u>\$ 90,375,383</u></u>
Nondepreciable Assets:	
Land	\$ 14,604,587
Construction In Progress	<u>1,173,470</u>
Total Nondepreciable Assets	<u><u>\$ 15,778,057</u></u>
Grand Total Capital Assets	<u><u>\$ 106,153,440</u></u>

NOTE 6 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. Vaughn has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

Vaughn contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2020, total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$405 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% funded. Vaughn did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. Vaughn is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2021 was 16.15% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Vaughn's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 1,936,190	100%
2020	\$ 2,335,805	100%
2021	\$ 2,527,815	100%

Health and Medical Benefits for Retirees

Vaughn provides postemployment health benefits to its contracted, full time, certificated, and permanent employees. To qualify, a staff member must provide continuous years of service at Vaughn immediately prior to retirement without a break in service. Vaughn will follow the Rule of 80 (Years of service credit plus age upon retirement should equal 80 or more) for all eligible employees. Vaughn will accept service credit of former Los Angeles Unified District certificated staff members who began employment at Vaughn before July 1, 1998. The goal is to provide health benefits to eligible staff members (active or retired) up until the age of 65.

The maximum level of support is not to exceed five years of health coverage and benefits are limited to a lifetime maximum of \$36,000. The spouse or divorced spouse of a retired Vaughn employee is not eligible for Vaughn's post-retirement health benefits. Effective July 1, 2012, this plan is offered to only employees hired before July 1, 2012.

As a result of offering postemployment benefits other than pension (OPEB), Vaughn is required to report the value of such benefits and associated costs according to the accounting requirements of FASB ASC 715-60, *Defined Benefit Plans – Other Post-Retirement (FASB ASC 715-60)*. This standard requires Vaughn to get periodical actuarial reports and disclose the report summary in the financial statements (see Note 10 – OPEB Accounting and Actuarial Information).

Vaughn's post-retirement benefit plans are unfunded. However, Vaughn has designated part of the Employee Incentive investment account to fund a portion of the premiums for retirees' post-retirement benefit. Based on the latest actuarial report and the subsequent contributions made, Vaughn has an estimated liability of \$562,113 as of June 30, 2021. Vaughn will commission an actuarial study every two years.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 QUALIFIED SCHOOL CONSTRUCTION BOND (QSCB)

In October 2010, the California School Finance Authority issued Education Facilities Revenue Bonds (Vaughn Next Century Learning Center) Series 2010A Qualified School Construction Bonds (QSCB) in the principal amount of \$8,500,000. The bond proceeds could be used for construction, rehabilitation, or repair of public-school facilities. The terms required Vaughn to provide an equity contribution in the amount of \$122,629. Vaughn received net proceeds in the amount of \$8,330,000, net of \$127,500 (1.5% underwriter's discount) and \$165,129 cost of issuance. A sinking fund was created to maintain bond repayment fund as required by the terms of the bond. Vaughn deposited \$447,368 during the initial year ending and is required to deposit \$894,737 yearly starting in fiscal year ending June 30, 2012 through 2020. The bond matured on July 1, 2020 and was paid in full.

NOTE 8 NET ASSETS

Net assets without donor restriction represent the net asset portion that is available for all expenses in the next fiscal year.

Vaughn's net assets consist of the following at June 30, 2021:

Net Assets Without Donor Restrictions:

Invested In Capital Assets, Net Of Debt	\$ 106,153,440
Undesignated Net Assets	<u>86,488,262</u>
Total Net Assets Without Donor Restrictions:	<u><u>\$ 192,641,702</u></u>

Net Assets With Donor Restrictions:

Subject to Specific Purpose	
Child Nutrition Program	\$ 804,899
Total Net Assets With Donor Restrictions:	<u><u>\$ 804,899</u></u>

NOTE 9 RELATED PARTY

Vaughn has established the Vaughn Next Century Foundation (the Foundation), a nonprofit foundation under Internal Revenue Code 501(c)(3) as a supporting organization to the charter school. All fundraising activities for Vaughn are carried through the Foundation. The Foundation supports some of Vaughn's college preparation programs such as college tours, college scholarships, international student exchange, and testing programs for college readiness.

VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 OPEB ACCOUNTING AND ACTUARIAL INFORMATION

Vaughn provides postemployment benefits other than pensions (OPEB) to employees who meet certain criteria (discussed in Note 6). As a result of offering such benefits, Vaughn is required to disclose benefit information in accordance with the FASB ASC 715-60.

Vaughn provides health benefits to retirees. Vaughn pays a major portion of the cost of premiums for eligible retirees. All active employees hired before July 1, 2012 who retire directly from Vaughn and meet the eligibility criteria may participate. Vaughn has not contributed any assets to the plan but continue to use “Pay-As-You-Go” method for current retiree’s health benefit expenses.

Although Vaughn has set aside funds for OPEB future obligations, Vaughn has not established a plan or equivalent arrangement that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors. The information below is for the most recently completed actuarial valuation report for the year ended June 30, 2021.

Actuarial Cost Method

The actuarial valuation of OPEB was prepared using the projected unit credit actuarial cost method. Under this method the actuarial accrued liability is equal to the present value of all benefits actually expected to be paid from the plan multiplied by a fraction, the numerator of which is the number of years of service worked and the denominator of which is the total number of years of service that will be worked when the employee reaches full benefit eligibility age. The service cost is equal to the present value of all benefits actually expected to be paid divided by the total number of years of service that will be worked when the employee reaches full benefit eligibility age. The actuarial accrued liability is called the Accumulated Postretirement Benefit Obligation (APBO) and the present value of all benefits actually expected to be paid is called the Expected Postretirement Benefit Obligation (EPBO).

Actuarial Assumptions

Discount Rate – The rate used to discount liabilities is 2.71%, which was determined under a cash flow matching process and the FTSE Pension Discount Curve as of June 30, 2021.

Trend Rate – Actual premium rates were used for the 2020-2021 and 2021-2022 fiscal years. Going forward, the healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research, combined with Vaughn’s historical premium rate experience, suggests a 6.00% medical cost increase for the 2022-2023 fiscal year, grading down to an ultimate rate of 4.50% for the 2028-2029 fiscal year and beyond. Dental and vision costs are assumed to increase at 4.50% per year.

Morbidity – Based on the June 2013 Society of Actuaries Study entitled “Health Care Costs – From Birth to Death”. Pre-65 morbidity rates were based on the HMO costs.

Spouses – Assumption is not applicable Employee-only benefits are valued.

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OPEB ACCOUNTING AND ACTUARIAL INFORMATION (CONTINUED)

Actuarial Assumptions (Continued)

Salary Scale – There are no liabilities dependent on salary, therefore no salary increase rate is assumed.

Funded Status and Funding Progress

As of June 30, 2021, Vaughn's plan has an Accumulated Postretirement Benefit Obligation of \$468,744, and is unfunded. The plan had zero assets and the net amount of actuarial accrued liability recognized is \$562,113.

The following table presents the net periodic postretirement benefit cost and reconciliation of the funded status as of June 30, 2021.

<u>Net Periodic Postretirement Benefits Cost</u>	<u>June 30, 2021</u>
Service Cost	\$ 56,342
Interest Cost	32,577
Expected Return on Plan Assets	N/A
Amortization of Net (Gain)/Loss	(6,218)
Amortization of Prior Service Cost	-
Amortization of Transition Obligation	5,149
Net Periodic Postretirement Benefits Cost	<u>\$ 87,850</u>
 <u>Reconciliation of Funded Status</u>	 <u>June 30, 2021</u>
Accumulated Postretirement Benefit Obligation	\$ 562,113
Fair Value of Plan Assets	-
Unfunded Status	562,113
Unrecognized Amounts:	
Actuarial (Gain)/Loss	(66,859)
Transition (Obligation)/Asset	61,792
Accrued Postretirement Benefit Cost	<u>\$ 557,046</u>

The following table presents the reconciliation of accrued benefit cost for the year ended June 30, 2021:

Accrued Postretirement Benefit Cost as of July 1, 2019	\$ 468,744
Net Periodic Postretirement Benefit Cost for Fiscal Year	87,850
Estimated Employer Contributions for Fiscal Year	-
Accrued Postretirement Benefit Cost as of June 30, 2021	<u>\$ 556,594</u>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effect:

	<u>Change in Medical Trend Rate</u>	
	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on Health Care Component of the:		
Accumulated Postretirement Benefit Obligation	Increase of \$64,201	Decrease of \$61,488
Service Cost Plus Interest Cost	Increase of \$5,515	Decrease of \$5,356

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 OPEB ACCOUNTING AND ACTUARIAL INFORMATION (CONTINUED)

Funded Status and Funding Progress (Continued)

Unrecognized gains and losses, including changes in actuarial assumptions, are amortized over the average remaining lifetime of the active participants, to the extent that they exceed, in absolute value, 10% of the greater of the Fair Value of Plan Assets or the Accumulated Postretirement Benefit Obligation.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Fiscal Year Beginning</u>	<u>Amount</u>
7/1/2022	\$ 13,380
7/1/2023	12,562
7/1/2024	16,388
7/1/2025	8,475
7/1/2026	13,125
June 30, 2027 - June 30 2031	132,742

As the OPEB is not funded, there are no plan assets to report.

NOTE 11 CONTINGENCIES, RISKS AND UNCERTAINTIES

Vaughn 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 required reimbursement would not be material.

In the prior fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to Vaughn, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes Vaughn is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 12 SUBSEQUENT EVENTS

Vaughn started construction for its Literary and Nutrition Center project on November 19, 2021. The estimated cost of the project is \$17,594,483 and is expected to be completed by May 15, 2023.

**VAUGHN NEXT CENTURY LEARNING CENTER
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2021**

Vaughn Next Century Learning Center (Vaughn) began operations as an independent charter school on July 1, 1993. Vaughn is charter school number 16 in the State of California. Vaughn's current charter was approved by the Los Angeles Unified School District on July 1, 2008 and a new one renewed on July 1, 2018. Vaughn is located at 13330 Vaughn Street, San Fernando, California in the San Fernando Valley of the County of Los Angeles. It serves an attendance area of approximately 12 square miles including the cities of Pacoima, San Fernando, and Sylmar. The school operates 5 campuses: the primary center serving preschool through grade 1; the lower elementary, serving grades 2 and 3; the upper elementary, serving grades 4 and 5; the middle school serving grades 6 through 8; and the high school, serving grades 9 through 12.

The Board of Directors and the Administrator as of June 30, 2021 were as follows:

<u>Member</u>	<u>Board of Directors Office</u>	<u>Term Information</u>
Xitlali Castro	President	1-Year Term Ending September 2021
Jonathan Ochoa	Secretary	1-Year Term Ending September 2021
Kwok Yin Cheng	Member	3-Year Term Ending September 2021
Jasmin Guerrero	Member	1-Year Term Ending September 2021
Alejandro Castellanos	Member	1-Year Term Ending October 2021
Katrina Cisneros	Member	3-Year Term Ending May 2024
Alejandro Nevarez	Member	1-Year Term Ending October 2021
Arturo Suarez	Member	3-Year Term Ending May 2024
<u>Administrator</u>		
Fidel Ramirez	Chief Executive Officer	

**VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2021**

	<u>Traditional Calendar Days</u>	<u>Status</u>
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
Grade 7	180	In Compliance
Grade 8	180	In Compliance
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance

See accompanying Notes to Supplementary Information.

**VAUGHN NEXT CENTURY LEARNING CENTER
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

June 30, 2021 Annual Financial Report Fund Balances (Net Assets)	\$ 194,035,026
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Cash in Banks	125,267
Accounts Receivable	(1,395,538)
Prepaid Expenses and Other Assets	16,625
Accounts Payable	758,590
OPEB Liability	(93,369)
Net Adjustments and Reclassifications	<u>(588,425)</u>
June 30, 2021 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 193,446,601</u>

See accompanying Notes to Supplementary Information.

**VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	N/A	\$ 1,168,910
School Climate Transformation Grant	84.184G	N/A	680,917
Pass-Through Program from California Department of Education			
Every Student Succeeds Act:			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	1,385,520
Title II, Part A - Improving Teaching Quality	84.367	14341	97,659
Title III - Limited English Proficiency (LEP)	84.365	14346	87,917
Title IV, Part A Safety and Drug	84.424	N/A	102,131
Title IV, 21st Century Community Learning Centers Program	84.287	14349	480,562
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):			
Governor's Emergency Education Relief (GEER) Fund - COVID-19 Funding	84.425C	15517	99,822
Elementary and Secondary School Emergency Relief (ESSER) Fund - COVID-19 Funding	84.425D	15536	331,051
Total CARES Act:			<u>430,873</u>
Special Education Cluster:			
Special Education - IDEA Basic Local Assistance	84.027	13379	608,486
Total Special Education Cluster			<u>608,486</u>
Total Pass-Through from California Department of Education			<u>3,193,148</u>
Total U.S. Department of Education			5,042,975
U.S. Department of Agriculture			
Pass-Through Program from California Department of Education			
Child Nutrition Cluster:			
School Breakfast Program Especially Needy	10.553	13526	1,150,349
National School Lunch Program	10.555	13396	1,906,691
Total Child Nutrition Cluster			<u>3,057,040</u>
Total U.S. Department of Agriculture			3,057,040
U.S. Department of Treasury			
Pass-Through Program from California Department of Education			
Coronavirus Relief Fund - COVID-19 Funding	21.019	25516	2,835,545
Total U.S. Department of Treasury			<u>2,835,545</u>
Total Federal Expenditures			<u>\$ 10,935,560</u>
Reconciliation of Federal Expenditures to Federal Revenue			
Total Federal Expenditures			\$ 10,935,560
Federal Revenues in Excess of Federal Expenditures			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)			394,968
Total Federal Revenues			<u>\$ 11,330,528</u>

N/A - Pass-through entity number not readily available or not applicable.

See accompanying Notes to Supplementary Information.

**VAUGHN NEXT CENTURY LEARNING CENTER
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by Vaughn and whether Vaughn complied with the provisions of California Education Code.

NOTE 2 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

NOTE 3 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Vaughn under programs of the federal governmental for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of the 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 operations of Vaughn, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Vaughn.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 INDIRECT COST RATE

Vaughn has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

Board of Directors
Vaughn Next Century Learning Center
San Fernando, 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 Vaughn Next Century Learning Center (Vaughn), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated February 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vaughn'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vaughn's internal control. Accordingly, we do not express an opinion on the effectiveness of Vaughn'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 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.

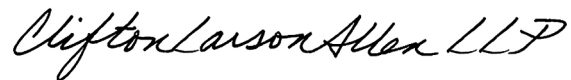
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Vaughn'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
February 23, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
Vaughn Next Century Learning Center
San Fernando, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Vaughn Next Century Learning Center (Vaughn) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. Vaughn's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Vaughn's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vaughn'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Vaughn's compliance.

Opinion on Each Major Federal Program

In our opinion, Vaughn complied, in all material respects, with the types of 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, 2021.

Report on Internal Control Over Compliance

Management of Vaughn is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vaughn's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vaughn's 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 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, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Vaughn Next Century Learning Center
San Fernando, California

We have audited Vaughn Next Century Learning Center's (Vaughn) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2021. Vaughn's State compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on Vaughn's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance 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 *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about Vaughn'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 on state compliance. Our audit does not provide a legal determination of Vaughn's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

Compliance Requirements Tested (Continued)


<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Charter School Facility Grant Program	Not applicable

Opinion on State Compliance

In our opinion, Vaughn complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
February 23, 2022

**VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of Auditors' Report Issued: Unmodified

2. Internal Control over Financial Reporting:

- Material Weakness(es) Identified _____ Yes X No
- Significant Deficiency(ies) Identified
not Considered to be Material Weakness(es) _____ Yes X None Reported

3. Noncompliance Material to Financial
Statements Noted _____ Yes X No

Federal Awards

1. Internal Control over Major Programs:

- Material Weakness(es) Identified _____ Yes X No
- Significant Deficiency(ies) Identified
Not Considered to be Material Weakness(es) _____ Yes X None Reported

2. Type of Auditors' Report Issued on Compliance for
the Major Programs: Unmodified

3. Any audit findings disclosed that are
required to be reported in accordance
with Section 200.516 of the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish
between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ X _____ Yes _____ No

**VAUGHN NEXT CENTURY LEARNING CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results (Continued)

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* or the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – State Compliance Findings

Our audit did not disclose any matters required to be reported in accordance with the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**VAUGHN NEXT CENTURY LEARNING CENTER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for the prior year.

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