

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vaughn 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vaughn Next Century Learning Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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.

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

***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 Vaughn'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vaughn's ability to continue as a going concern for a reasonable period of time.

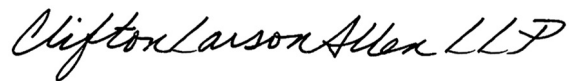
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on Vaughn’s financial statements as a whole. The K-12, Preschool, and Elimination columns in the statements of financial position, activities, functional expenses, and cash flows as well as the supplementary information (as identified in the table of contents), and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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, except for the portion marked “unaudited”, 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. The Local Education Agency Organization Structure, which is marked “unaudited”, has not be subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2023 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  
January 31, 2023

**VAUGHN NEXT CENTURY LEARNING CENTER  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

<b>ASSETS</b>	<u>K-12</u>	<u>Pre-School</u>	<u>Eliminations</u>	<u>Total Vaughn</u>
<b>CURRENT ASSETS</b>				
Cash in County Treasury	\$ 20,393,541	\$ -	\$ -	\$ 20,393,541
Cash in Banks	10,151,570	170,434	-	10,322,004
Accounts Receivable - Federal and State	6,898,118	-	-	6,898,118
Prepaid Expenses and Other Current Assets	170,068	-	-	170,068
Total Current Assets	<u>37,613,297</u>	<u>170,434</u>	<u>-</u>	<u>37,783,731</u>
<b>LONG-TERM ASSETS</b>				
Investments	59,316,096	-	-	59,316,096
Capital Assets, Net	106,507,367	-	-	106,507,367
Total Long-Term Assets	<u>165,823,463</u>	<u>-</u>	<u>-</u>	<u>165,823,463</u>
Total Assets	<u>\$ 203,436,760</u>	<u>\$ 170,434</u>	<u>\$ -</u>	<u>\$ 203,607,194</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 4,705,666	\$ 36,338	\$ -	\$ 4,742,004
Accrued Payroll	2,117,845	-	-	2,117,845
Deferred Revenue	6,259,904	134,096	-	6,394,000
Total Current Liabilities	<u>13,083,415</u>	<u>170,434</u>	<u>-</u>	<u>13,253,849</u>
<b>LONG-TERM LIABILITIES</b>				
OPEB Liability	562,113	-	-	562,113
Total Long-Term Liabilities	<u>562,113</u>	<u>-</u>	<u>-</u>	<u>562,113</u>
Total Liabilities	13,645,528	170,434	-	13,815,962
<b>NET ASSETS</b>				
Without Donor Restrictions:				
Invested in Capital Assets, Net of Debt	106,507,367	-	-	106,507,367
Undesignated	81,687,252	-	-	81,687,252
Total Net Assets Without Donor Restrictions	<u>188,194,619</u>	<u>-</u>	<u>-</u>	<u>188,194,619</u>
With Donor Restrictions	1,596,613	-	-	1,596,613
Total Net Assets	<u>189,791,232</u>	<u>-</u>	<u>-</u>	<u>189,791,232</u>
Total Liabilities and Net Assets	<u>\$ 203,436,760</u>	<u>\$ 170,434</u>	<u>\$ -</u>	<u>\$ 203,607,194</u>

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	<u>K-12</u>	<u>Pre-School</u>	<u>Eliminations</u>	<u>Total Vaughn</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>REVENUES</b>				
State Revenue:				
State Aid	\$ 28,009,997	\$ -	\$ -	\$ 28,009,997
Other State Revenue	5,208,730	2,269,453	-	7,478,183
Federal Revenue:				
Grants and Entitlements	11,502,599	-	-	11,502,599
Local Revenue:				
In-Lieu Property Tax Revenue	9,025,438	-	-	9,025,438
Contributions	155,719	-	-	155,719
Investment Income	(8,039,368)	-	-	(8,039,368)
Other Revenue	747,130	-	(472,800)	274,330
Total Revenues	<u>46,610,245</u>	<u>2,269,453</u>	<u>(472,800)</u>	<u>48,406,898</u>
<b>EXPENSES</b>				
Program Services	42,704,838	2,064,276	(472,800)	44,296,314
Management and General	8,293,927	205,177	-	8,499,104
Fundraising	71,748	-	-	71,748
Total Expenses	<u>51,070,513</u>	<u>2,269,453</u>	<u>(472,800)</u>	<u>52,867,166</u>
Change in Net Assets Without Donor Restrictions	(4,460,268)	-	-	(4,460,268)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Federal Revenue:				
Grants and Entitlements	804,899	-	-	804,899
Change in Net Assets With Donor Restrictions	<u>804,899</u>	<u>-</u>	<u>-</u>	<u>804,899</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	(3,655,369)	-	-	(3,655,369)
Net Assets - Beginning of Year	<u>193,446,601</u>	<u>-</u>	<u>-</u>	<u>193,446,601</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 189,791,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,791,232</u>

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	K-12				Pre-School			Eliminations	Total Vaughn
	Program Services	Management and General	Fundraising	Total K-12	Program Services	Management and General	Total Pre-School		
Salaries and Wages	\$ 22,007,815	\$ 3,794,998	\$ -	\$ 25,802,813	\$ 1,331,839	\$ -	\$ 1,331,839	\$ -	\$ 27,134,652
Pension Expense	2,776,665	-	-	2,776,665	-	-	-	-	2,776,665
Other Employee Benefits	2,431,414	462,477	-	2,893,891	412,871	-	412,871	-	3,306,762
Payroll Taxes	788,213	300,445	-	1,088,658	-	-	-	-	1,088,658
Instructional Materials	3,838,319	-	-	3,838,319	34,395	-	34,395	-	3,872,714
Legal Expenses	-	7,929	-	7,929	-	-	-	-	7,929
Accounting Expenses	-	29,689	-	29,689	-	-	-	-	29,689
Advertising and Promotions	-	870	-	870	-	-	-	-	870
Other Fees for Services	2,260,789	1,350,065	-	3,610,854	37,971	-	37,971	-	3,648,825
Office Expenses	61,610	942,982	-	1,004,592	-	-	-	-	1,004,592
Information Technology	-	151,741	-	151,741	-	-	-	-	151,741
Occupancy Expenses	1,145,525	935,430	-	2,080,955	247,200	-	247,200	(472,800)	1,855,355
Travel Expenses	269,994	-	-	269,994	-	-	-	-	269,994
Depreciation Expense	3,859,960	23,726	-	3,883,686	-	-	-	-	3,883,686
Insurance Expense	-	247,634	-	247,634	-	-	-	-	247,634
Other Expenses	3,264,534	45,941	71,748	3,382,223	-	205,177	205,177	-	3,587,400
<b>Total</b>	<b>\$ 42,704,838</b>	<b>\$ 8,293,927</b>	<b>\$ 71,748</b>	<b>\$ 51,070,513</b>	<b>\$ 2,064,276</b>	<b>\$ 205,177</b>	<b>\$ 2,269,453</b>	<b>\$ (472,800)</b>	<b>\$ 52,867,166</b>

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

	K-12	Pre-School	Eliminations	Total Vaughn
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets	\$ (3,655,369)	\$ -	\$ -	\$ (3,655,369)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:				
Depreciation	3,883,686	-	-	3,883,686
Unrealized Losses on Investments	10,351,324	-	-	10,351,324
Realized Gains on Investments	(818,443)	-	-	(818,443)
Change in Operating Assets:				
Accounts Receivable - Federal and State	1,281,425	369	(369)	1,281,425
Prepaid Expenses and Other Current Assets	976,182	-	-	976,182
Change In Operating Liabilities:				
Accounts Payable	3,271,671	35,969	369	3,308,009
Accrued Payroll	(1,093,055)	-	-	(1,093,055)
Deferred Revenue	3,153,207	69,600	-	3,222,807
Net Cash Flows Provided by Operating Activities	17,350,628	105,938	-	17,456,566
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale of Investments	16,575,798	-	-	16,575,798
Purchase of Investments	(17,991,619)	-	-	(17,991,619)
Purchases of Property, Plant, and Equipment	(4,237,613)	-	-	(4,237,613)
Net Cash Flows Used by Investing Activities	(5,653,434)	-	-	(5,653,434)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	11,697,194	105,938	-	11,803,132
Cash and Cash Equivalents - Beginning of Year	18,847,917	64,496	-	18,912,413
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 30,545,111</u>	<u>\$ 170,434</u>	<u>\$ -</u>	<u>\$ 30,715,545</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to Statement of Financial Position:				
Cash in County Treasury	\$ 20,393,541	\$ -	\$ -	\$ 20,393,541
Cash in Banks	10,151,570	170,434	-	10,322,004
Total Cash and Cash Equivalents	<u>\$ 30,545,111</u>	<u>\$ 170,434</u>	<u>\$ -</u>	<u>\$ 30,715,545</u>

See accompanying Notes to Financial Statements.

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 accounting principles generally accepted in the United States of America 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, 2022**

**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 salaries and wages, other employee benefits, payroll taxes, occupancy, and depreciation 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.

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2022. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2022, Vaughn has conditional grants of \$23,693,746 of which \$6,394,000 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.

**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 files an exempt organization return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Subsequent Events**

Vaughn has evaluated subsequent events through January 31, 2023, the date these financial statements were available to be issued.

**VAUGHN NEXT CENTURY LEARNING CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**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	\$ 30,715,545
Accounts Receivable	6,898,118
Less: Net Assets With Donor Restrictions	<u>(1,596,613)</u>
Total	<u>\$ 36,017,050</u>

As part of its liquidity management plan, Vaughn monitors liquidity required and cash flows to meet operating needs on a monthly basis. Vaughn 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, 2022 are classified in the accompanying financial statements as follows:

Cash in County Treasury	\$ 20,393,541
Cash with Financial Institutions	10,322,004
Long-Term Investments	59,316,096

**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, 2022 as provided by the pool sponsor was \$20,393,541. 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.

**VAUGHN NEXT CENTURY LEARNING CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**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.

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, 2022. 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% of its equity investments to Vanguard's Global Minimum Volatility fund to reduce portfolio volatility.

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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

*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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income Funds	\$ 30,215,117	\$ -	\$ -	\$ 30,215,117
Equity Funds	29,100,979	-	-	29,100,979
Total Investments at Fair Value	<u>\$ 59,316,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,316,096</u>

The following schedule summarizes the composition of investment return for the year ended June 30, 2022:

Dividends and Interest	\$ 1,552,179
Realized Gains	818,443
Unrealized Losses	(10,351,324)
Investment Fees	(58,666)
Total Return on Investments	<u>\$ (8,039,368)</u>

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**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 \$3,883,686 for the year ended June 30, 2022.

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.

The components of capital assets as of June 30, 2022 are as follows:

Depreciable Assets:	
Building and Improvements	\$ 115,428,272
Equipment	183,475
Furniture	<u>5,414,444</u>
Total Depreciable Assets	121,026,191
Less: Accumulated Depreciation	<u>(33,855,862)</u>
Net Depreciable Assets	87,170,329
Nondepreciable Assets:	
Land	14,604,587
Construction In Progress	<u>4,732,451</u>
Total Nondepreciable Assets	<u>19,337,038</u>
Grand Total Capital Assets	<u><u>\$ 106,507,367</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.

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)**

**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, 2021, total STRS plan net assets are \$310 billion, the total actuarial present value of accumulated plan benefits is \$414 billion, contributions from all employers totaled \$5.744 billion, and the plan is 73% 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](http://www.calstrs.com).

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, 2022 was 16.92% 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>
2020	\$ 2,335,805	100 %
2021	2,527,815	100
2022	2,776,665	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.

**VAUGHN NEXT CENTURY LEARNING CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 EMPLOYEE RETIREMENT (CONTINUED)**

**Health and Medical Benefits for Retirees (Continued)**

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 9 – 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, 2022. Vaughn will commission an actuarial study every two years.

**NOTE 7 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, 2022:

Net Assets Without Donor Restrictions:	
Invested In Capital Assets, Net of Debt	\$ 106,507,367
Undesignated Net Assets	81,687,252
Total Net Assets Without Donor Restrictions:	<u>\$ 188,194,619</u>
Net Assets With Donor Restrictions:	
Subject to Specific Purpose:	
Child Nutrition Program	\$ 1,596,613
Total Net Assets With Donor Restrictions:	<u>\$ 1,596,613</u>

**NOTE 8 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. 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, 2022**

**NOTE 9 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.

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OPEB ACCOUNTING AND ACTUARIAL INFORMATION (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

*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, 2022, Vaughn's plan has an Accumulated Postretirement Benefit Obligation of \$557,046, 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	<u>562,113</u>
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, 2020	\$ 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>

**VAUGHN NEXT CENTURY LEARNING CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OPEB ACCOUNTING AND ACTUARIAL INFORMATION (CONTINUED)**

**Funded Status and Funding Progress (Continued)**

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:

	Change in Medical Trend Rate	
	1% Increase	1% Decrease
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

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:

Fiscal Year Beginning	Amount
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 10 COMMITMENTS**

Vaughn started construction for its Literary and Nutrition Center project on November 19, 2021. The estimated cost of the project is \$23,677,483 and is expected to be completed by August 1, 2023.

**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.

**VAUGHN NEXT CENTURY LEARNING CENTER  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2022  
(SEE INDEPENDENT AUDITORS' REPORT)  
UNAUDITED**

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. Vaughn 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 Administrators as of June 30, 2022 were as follows:

<u>Member</u>	<u>Board of Directors Office</u>	<u>Term Information</u>
Jonathan Ochoa	President	3-Year Term Ending October 2024
Alejandro Castellanos	Secretary	1-Year Term Ending October 2022
Steve Holle	Member	3-Year Term Ending August 2024
Dr. Anthony Jackson	Member	3-Year Term Ending September 2024
Luis Cervantes	Member	3-Year Term Ending May 2025
Karina Cisneros	Member	3-Year Term Ending May 2024
Martiza Gallegos	Member	3-Year Term Ending May 2025
Jasmin Guerrero	Member	1-Year Term Ending October 2022
Alejandro Nevarez	Member	1-Year Term Ending October 2022

Administrators

Fidel Ramirez	Chief Executive Officer
Yolanda Gutierrez	Director of Finance

**VAUGHN NEXT CENTURY LEARNING CENTER  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2022**

	Instructional Minutes		Traditional	Status
	Requirement	Actual	Calendar Days	
Kindergarten	36,000	51,810	180	In Compliance
Grade 1	50,400	51,950	180	In Compliance
Grade 2	50,400	54,990	180	In Compliance
Grade 3	50,400	54,990	180	In Compliance
Grade 4	54,000	55,035	180	In Compliance
Grade 5	54,000	55,035	180	In Compliance
Grade 6	54,000	62,035	180	In Compliance
Grade 7	54,000	62,000	180	In Compliance
Grade 8	54,000	62,000	180	In Compliance
Grade 9	64,800	66,720	180	In Compliance
Grade 10	64,800	66,720	180	In Compliance
Grade 11	64,800	66,720	180	In Compliance
Grade 12	64,800	66,720	180	In Compliance

See accompanying Notes to Supplementary Information.

**VAUGHN NEXT CENTURY LEARNING CENTER  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2022**

	Second Period Report		Audit Adjustments		Second Period Report (Audited)	
	Classroom Based	Total	Classroom Based	Total	Classroom Based	Total
Grades TK / K-3	924.25	934.57	-	-	924.25	934.57
Grades 4-6	682.80	687.38	-	-	682.80	687.38
Grades 7-8	424.00	426.77	-	-	424.00	426.77
Grades 9-12	728.86	736.54	-	(0.72)	728.86	735.82
Totals	<u>2,759.91</u>	<u>2,785.26</u>	<u>-</u>	<u>(0.72)</u>	<u>2,759.91</u>	<u>2,784.54</u>

	Annual Report		Audit Adjustments		Annual Report (Audited)	
	Classroom Based	Total	Classroom Based	Total	Classroom Based	Total
Grades TK / K-3	926.98	936.09	-	-	926.98	936.09
Grades 4-6	683.42	687.48	-	-	683.42	687.48
Grades 7-8	420.52	423.64	-	-	420.52	423.64
Grades 9-12	722.47	730.12	-	(0.72)	722.47	729.40
Totals	<u>2,753.39</u>	<u>2,777.33</u>	<u>-</u>	<u>(0.72)</u>	<u>2,753.39</u>	<u>2,776.61</u>

See accompanying Notes to Supplementary Information.

**VAUGHN NEXT CENTURY LEARNING CENTER  
RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

June 30, 2022 Annual Financial Report Fund Balances (Net Assets)	\$ 186,738,828
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Accounts Receivable	(2,254,507)
Prepaid Expenses and Other Assets	(1,170,921)
Property, Plant and Equipment, Net	856,938
Accounts Payable and Accrued Liabilities	3,748,712
Deferred Revenue	<u>1,872,182</u>
Net Adjustments and Reclassifications	<u>3,052,404</u>
June 30, 2022 Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 189,791,232</u></u>

*See accompanying Notes to Supplementary Information.*

**VAUGHN NEXT CENTURY LEARNING CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Federal Expenditures
<b>U.S. Department of Education</b>				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	N/A		\$ 1,377,405
School Climate Transformation Grant	84.184G	N/A		654,120
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		1,382,740
Title II, Part A - Improving Teaching Quality	84.367	14341		166,705
Title III - Limited English Proficiency (LEP)	84.365	14346		95,355
Title IV, Part A Safety and Drug	84.424	N/A		98,759
Title IV, 21st Century Community Learning Centers Program	84.287	14349		523,974
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	COVID-19	775,176
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	2,662,003
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>3,437,179</u>
Special Education Cluster:				
Special Education - IDEA Basic Local Assistance	84.027	13379		835,411
Total Special Education Cluster				<u>835,411</u>
Total Pass-Through from California Department of Education				<u>6,540,123</u>
Total U.S. Department of Education				8,571,648
<b>U.S. Department of Agriculture</b>				
Pass-Through Program from California Department of Education				
Child Nutrition Cluster:				
School Breakfast Program Especially Needy	10.553	13526		1,328,313
National School Lunch Program	10.555	13396		2,349,292
Meal Supplements	10.555	13396		55,182
Total Child Nutrition Cluster				<u>3,732,787</u>
Continuing Appropriations Act and Other Extensions Act:				
Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	15644	COVID-19	3,063
Total U.S. Department of Agriculture				<u>3,735,850</u>
Total Federal Expenditures				<u>\$ 12,307,498</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  
JUNE 30, 2022**

**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 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

Average daily attendance is a measurement of the number of pupils attending classes of Vaughn. The purpose of attendance accounting from a fiscal standpoint is to provide the basis of which apportionments of state funds are made to charter schools. The schedule provides information regarding the attendance of students at various grade levels.

**NOTE 3 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 4 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, 2022. 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.

**NOTE 5 INDIRECT COST RATE**

Vaughn has elected not to use the 10% 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, 2022, 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 January 31, 2023.

**Report on 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.

**Report on 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.



**CliftonLarsonAllen LLP**

Glendora, California  
January 31, 2023



**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**

***Opinion on Each Major Federal Program***

We have audited Vaughn Next Century Learning Center (Vaughn)'s 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 each of Vaughn's major federal programs for the year ended June 30, 2022. Vaughn's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Vaughn 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 Each 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Vaughn 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 each major federal program. Our audit does not provide a legal determination of Vaughn'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 Vaughn's federal programs.

### ***Auditors' 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 Vaughn'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 Vaughn's compliance with the requirements of each 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 Vaughn'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 Vaughn'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 Vaughn'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 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.

Board of Directors  
Vaughn Next Century Learning Center

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

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

**CliftonLarsonAllen LLP**

Glendora, California  
January 31, 2023



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Opinion on State Compliance**

We have audited Vaughn Next Century Learning Center's (Vaughn) compliance with the types of compliance requirements described in the *2021-2022 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, 2022. Vaughn's state compliance requirements are identified in the table below.

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, 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; and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Vaughn 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. Our audit does not provide a legal determination of Vaughn's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

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

### **Auditors' Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to below occurred, whether due to fraud or error, and express an opinion on Vaughn'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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 Vaughn's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, 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 Vaughn's compliance with the compliance requirements referred to below and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Vaughn '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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of Vaughn'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.

#### **Other Matters**

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each state program is not modified with respect to this matter.

Vaughn's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. STEM Prep's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

**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:

Description	Procedures Performed
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Yes
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	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In Person Instruction Grant	Yes
<b>Charter Schools:</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

**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 *2021-2022 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  
 January 31, 2023

**VAUGHN NEXT CENTURY LEARNING CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section I – Summary of Auditors' Results***

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**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 \_\_\_\_\_ Yes  X  None Reported  
not Considered to be Material Weakness(es)
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 \_\_\_\_\_ Yes  X  None Reported  
Not Considered to be Material Weakness(es)
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:

Assistance Listing Number(s)

84.IDEA

84.425D

Name of Federal Program or Cluster

Special Education: IDEA Basic Local Assistance

Elementary and Secondary Emergency Relief (ESSER) Fund and ESSER II

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, 2022**

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***Section I – Summary of Auditors’ Results (Continued)***

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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

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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

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***Section IV – State Compliance Findings***

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**2022-001 Nonclassroom-Based Instruction/ Independent Study 40000**

**Criteria:** Per Education Code section 51747(c), every written independent study agreement must contain signatures, no later than 30 days after the first day of independent study instruction or October 15, whichever comes later by the pupil, the pupil’s parent, legal guardian or caregiver, the certificated employee who was designated as having responsibility for the general supervision of the pupil’s independent study, and all other persons, if any, who had direct responsibility for providing assistance to the pupil.

**VAUGHN NEXT CENTURY LEARNING CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

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***Section IV – State Compliance Findings (Continued)***

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**2022-001 Nonclassroom-Based Instruction/ Independent Study (Continued) 40000**

**Condition:** During nonclassroom-based/independent study pupil testing we found that 1 pupil in eleventh grade, did not sign the independent study master agreement until February 2, 2022 and ADA was claimed as generated through independent study for this pupil starting September 2, 2021.

**Effect:** Vaughn is not in compliance with Education Code section 51747(c) and over-reported ADA by 0.72.

**Cause:** Return to in-person instruction from COVID complicated efforts to obtain all required signatures.

**Questioned Costs:** Decrease in apportionment of \$10,127.

**Repeat Finding:** This is not a repeat finding.

**Corrective Action Plan:** Vaughn implemented monitoring systems to ensure all agreements are completed accurately and all signatures obtained prior to claiming independent study ADA.

**VAUGHN NEXT CENTURY LEARNING CENTER  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022**

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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