

January 6, 2022

Literacy First Charter School
Debbie Beyer, Executive Director
799 East Washington Avenue
El Cajon, CA 92020

Dear Ms. Beyer:

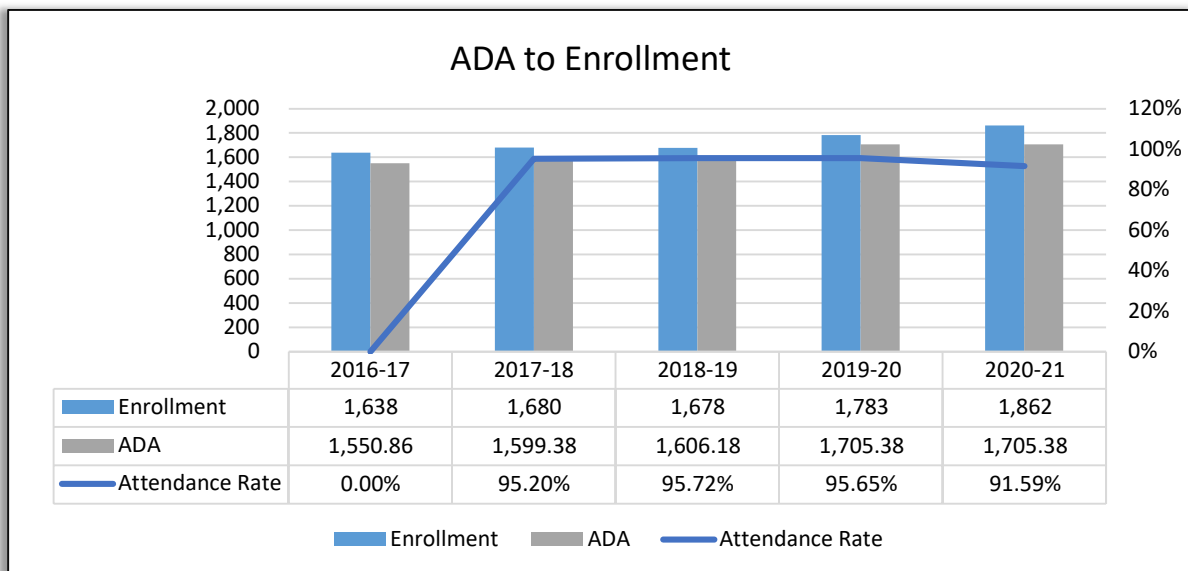
Re: 2020-21 Unaudited Actuals Financial Report

Our office has completed its review of the 2020-21 Unaudited Actuals Financial Report for Literacy First Charter School and has verified it for accuracy pursuant to Education Code Section 47604.33. During our review, we noted the following items for the charter school's review and/or action:

Financial Status July 1, 2020 through June 30, 2021

Attendance and Enrollment

Literacy First Charter School had a 4.24% increase in enrollment from 2019-20 to 2020-21; Enrollment rose from 1,783 to 1,862 students. The charter school's funded Average Daily Attendance (ADA) was 1,705.38. This funded ADA amount was the same as the 2019-20 ADA due to the prior year guarantee provision.



Deficit Spending

The charter school was also able to meet 2020-21 operating expenses with current year revenue in the charter school fund.

Fiscal Year	(Deficit) / Surplus
2018-19	\$777,386
2019-20	\$(339,170)
2020-21	\$3,950,886

Material Variances: Budget vs. Actuals

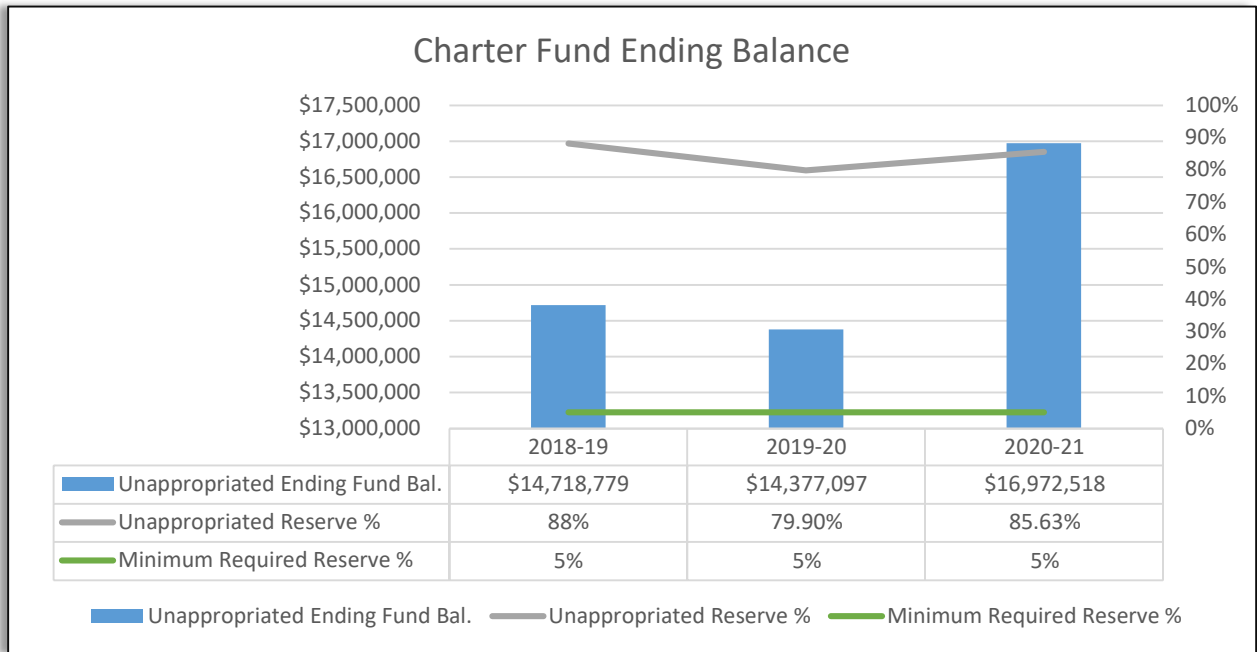
The charter school reported Unaudited Actuals with material differences as compared to the 2020-21 Second interim Budget.

A material variance in State Revenue resulted in an increase of 35.11% from the 2020-21 Second Interim Budget projection to the 2020-21 Unaudited Actuals. This increase was due to the allocation of various funding sources that were not reported at Second Interim. These include the Expanded Learning and In Person Instruction grant amounts for which allocations were not yet available, the projection variances to the actual allocation for the Charter School Facility Grant Program (Senate Bill 740 Program) and State Lottery funding.

Unexpected expenditures of \$103,084 for Non-Capital Equipment were not included in the 2020-21 Second Interim Budget. The purchase of computers and Smartboards was made in the second half of the year. The charter school does not anticipate these expenditures in the 2021-22 fiscal year.

Ending Fund Balance

The 2020-21 ending fund balance was \$18,233,221, which was lower by 2.18% than projected at 2020-21 Second Interim reporting. This variance was a result of an audit adjustment for (\$669,959.30) reported in the 2020-21 Unaudited Actuals. In the 2019-20 Audit Report it was noted that the assets of Literacy First Charter Schools (LFCS) were to be separated from Literacy First Charter Schools Issuer, LLC (LLC). The process of separating financial records and assets began by making the necessary entries in the 2020-21 LFCS financial reports. The charter school expects to make additional adjustments in the 2021-22 fiscal year to finalize the separation of assets as advised by the auditor.

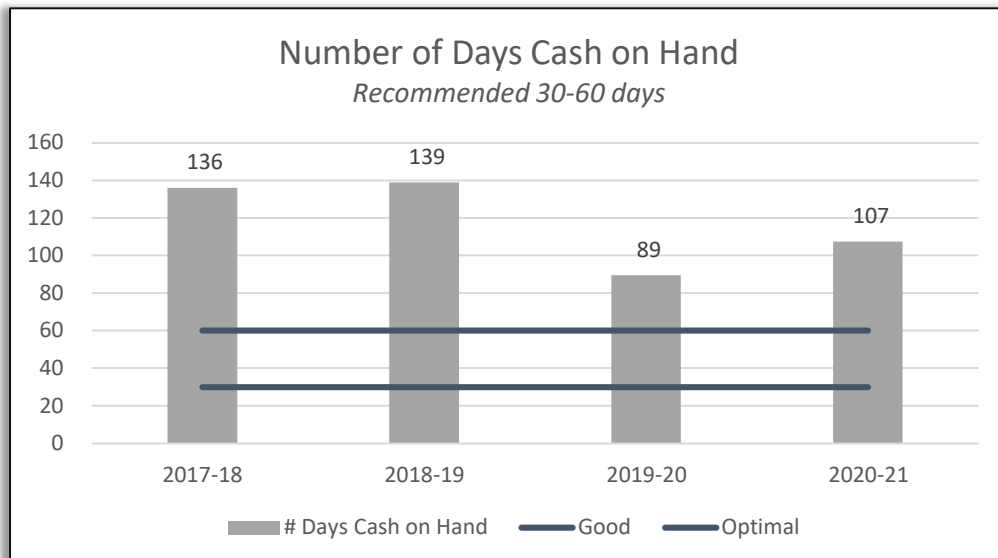


Reserve for Economic Uncertainties

The charter school is required to maintain a reserve for economic uncertainties (REU) of 3% of total expenditures per the memorandum of understanding between the charter school and the San Diego County Office of Education (SDCOE). In our review, we noted that the charter school had a REU of 85.63%, therefore meeting the REU requirement in 2020-21.

Cash Flow

The charter school had sufficient cash to meet all 2020-21 expenditures without the need for short-term borrowing. The charter school has a 2020-21 ending cash balance of \$5,829,221.24, representing 107 days cash on hand. The K-12 charter school industry recommends that charter schools maintain a cash balance between 30- and 60-days cash on hand.



Long-Term Debt and Liabilities

The charter school has not incurred any new debt or long-term liabilities since the 2020-21 Second Interim Report.

Timeliness of Submission

Education Code section 47604.33 requires that on or before September 15, each charter school shall prepare and submit a final unaudited report for the full prior year with the entity that approved the charter school. The charter school met this requirement.

If you have any questions regarding this review, please feel free to contact Anna Buxbaum at abuxbaum@sdcoe.net or at (858) 290-5899.

Sincerely,



Kristin Armatis
Senior Director, Charter School Services

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cc: Mrs. Priscilla Schreiber, Board of Trustees President, Literacy First Charter School
Mr. Steve Robinson, Chief Financial Official, Literacy First Charter School