



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

November 20, 2020

To the Board of Directors of
Compass Charter Schools
Thousand Oaks, California

We have audited the financial statements of Compass Charter Schools for the year ended June 30, 2020, and we will issue our report thereon dated November 20, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Compass Charter Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2019-20 fiscal year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure on the related party transactions (Note 8) to the financial statements. The note discusses the relationship between the Organization and REALM Charter School as well as the transactions that occurred and the amount written off as bad debt expense.

The disclosure on multi-employer defined benefit plan participation in Note 9 to the financial statements. The estimated withdrawal liability is based on prior year data from actuarial studies on the retirement plans and is disclosed for information purposes only. As a nonprofit entity, there is no required recording of a net pension liability as other local educational entities (LEAs), such as school districts, would have to record under governmental accounting (GASB).

The disclosure on subsequent events in Note 11 to the financial statements. Uncertainty regarding the impact of the ongoing coronavirus pandemic on school operations.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Significant Audit Matters (continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Recording of State on-behalf contributions to the CalSTRS retirement plan. Because the entry is a non-cash transaction with no impact on ending net assets, the Organization does not typically record this entry and relies on the audit adjustment.

Reclassing of loan receivable from REALM Charter School and other associated uncollectible amounts as bad debt expense rather than loss on investment as mentioned in Note 8.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Compass Charter Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Christy White, Inc.
San Diego, California