



Board of Directors
Virtual Prep Academy @ Lucerne
Lucerne, California

We have audited the financial statements of Virtual Prep Academy @ Lucerne as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards, and the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Appeals Panel*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Virtual Prep Academy @ Lucerne are described in Note 1 to the financial statements.

As described in Note 1, the Organization changed accounting policies related to the change in accounting principle by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and FASB ASU 2016-18, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for the year ended June 30, 2020.

We noted no transactions entered into by the entity 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.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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.

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 did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

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 auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 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 entity's financial statements or a determination of the type of auditors' 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.

The entity's ability to continue as a going concern

The following conditions and events, when considered in the aggregate and after considering management's plans, caused us to conclude that substantial doubt about the entity's ability to continue as a going concern for a reasonable time remains:

- The School's net asset deficit require the School borrow funds by a revolving loan to improve the total net assets by the following year.

These conditions and events and management's plans for addressing them are disclosed in Note 2 to the financial statements. Management's use of the going concern basis of accounting, when relevant, is appropriate in the preparation of the financial statements. We concluded the disclosures are adequate.

Other information in documents containing audited financial statements

With respect to the Local Education Agency Organization Structure, Schedule of Instructional Time, Schedule of Average Daily Attendance, and Reconciliation of Annual Financial Report with Audited Financial Statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, 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. We have issued our report thereon dated October 27, 2020.

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Recent accounting standards

Our promise is to get to know you and help you. For your consideration, we provided recent accounting standards applicable to your entity.

Leases –

- Effective for fiscal years beginning after December 15, 2019 for public entities and December 15, 2021 for nonpublic entities. For your entity – June 30, 2023's financial statements.
- Requires lessees to recognize the assets and liabilities arising from all leases on the statement of financial position.
- A lessee should recognize the liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.
- Continued differentiation between finance and operating leases.

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This communication is intended solely for the information and use of the Board of Directors and management of Virtual Prep Academy @ Lucerne and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Glendora, California
October 27, 2020