



Granada Hills Charter #572

Granada Hills, CA

Consolidated Financial
Statements & Supplemental
Information

Year Ended June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Granada Hills Charter
Consolidated Financial Statements & Supplemental Information
Year Ended June 30, 2019

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Independent Auditor's Report

To the Board of Directors
Granada Hills Charter
Granada Hills, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Granada Hills Charter (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, consolidated functional expenses, and consolidated cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granada Hills Charter as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note A to the financial statements, the School has adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying additional supplementary information, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of Granada Hills Charter'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 of Granada Hills Charter'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 Granada Hills Charter's internal control over financial reporting and compliance.

William Stanley King & Co., LLP

El Cajon, California
December 16, 2019

Financial Statements

Granada Hills Charter
Consolidated Statement of Financial Position
June 30, 2019

Assets

Cash and cash equivalents	\$ 15,021,014
Operating investments	9,399,837
Accounts receivable	1,904,802
Inventory	24,274
Prepaid expenses	306,527
Other assets cost of issuance	331,610
Property and equipment, net	17,039,003
Total Assets	\$ 44,027,067

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 2,551,170
Accrued expenses and other liabilities	5,285,885
Accounts payable grantor government	577,223
Accounts payable student groups	221,936
Accrued vacation liability	220,047
Unearned revenue	868,731
Capital lease obligations	1,121,336
Bonds and notes payable	10,794,987
Total Liabilities	21,641,315

Net Assets

Without donor restrictions	
Undesignated	16,609,237
Invested in property and equipment, net of related debt	5,122,680
	21,731,917
With donor restrictions	
Restricted for state programs	653,835
	653,835
Total Net Assets	22,385,752
Total Liabilities and Net Assets	\$ 44,027,067

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Consolidated Statement of Activities
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 26,130,979	\$ -	\$ 26,130,979
Education protection account state aid	8,555,420	-	8,555,420
Transfers in lieu of property taxes	11,593,134	-	11,593,134
Total LCFF sources	<u>46,279,533</u>	<u>-</u>	<u>46,279,533</u>
Federal contracts and grants	-	3,904,434	3,904,434
State contracts and grants	4,090,450	337,203	4,427,653
Local contracts and grants	4,687,480	-	4,687,480
Net investment return	44,573	-	44,573
Rental income	449,288	-	449,288
Interest income	387,930	-	387,930
Net assets released from restriction -			
Grant restrictions satisfied	9,081,870	(9,081,870)	-
Total revenue, support, and gains	<u>65,021,124</u>	<u>(4,840,233)</u>	<u>60,180,891</u>
Expenses and Losses			
Program services expense	44,435,701	-	44,435,701
Supporting services expense	11,984,087	-	11,984,087
Total expenses and losses	<u>56,419,788</u>	<u>-</u>	<u>56,419,788</u>
Change in Net Assets	8,601,336	(4,840,233)	3,761,103
Net Assets, Beginning of Year	<u>13,130,581</u>	<u>5,494,068</u>	<u>18,624,649</u>
Net Assets, End of Year	<u>\$ 21,731,917</u>	<u>\$ 653,835</u>	<u>\$ 22,385,752</u>

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Consolidated Statement of Functional Expenses
June 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Educational Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	
Salaries and Wages	\$ 25,220,680	\$ 4,863,210	\$ -	\$ 30,083,890
Pension expense	5,178,917	1,003,480	-	6,182,397
Other employee benefits	4,814,839	932,935	-	5,747,774
Payroll taxes	746,165	144,578	-	890,743
Fees for services:				
Legal	-	203,723	-	203,723
Other fees professional consulting	1,948,463	2,038,995	-	3,987,458
Other fees transfers to district	-	1,206,976	-	1,206,976
Other fees banking and service charges	-	408,526	-	408,526
Advertising and promotion	-	8,568	-	8,568
Office expenses	36,637	-	-	36,637
Information technology	90,846	-	-	90,846
Occupancy	1,066,029	-	-	1,066,029
Travel	-	10,562	-	10,562
Conferences, conventions, and meetings	-	256,032	-	256,032
Interest	-	551,939	-	551,939
Depreciation	962,360	-	-	962,360
Insurance	-	278,564	-	278,564
Other expenses:				
Books and supplies	3,534,827	-	-	3,534,827
Repairs	622,328	-	-	622,328
Student transportation and activities	213,610	-	-	213,610
Dues and memberships	-	75,999	-	75,999
Total expenses by function	<u>44,435,701</u>	<u>11,984,087</u>	<u>-</u>	<u>56,419,788</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 44,435,701</u>	<u>\$ 11,984,087</u>	<u>\$ -</u>	<u>\$ 56,419,788</u>

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Consolidated Statement of Cash Flows
June 30, 2019

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 47,852,392
Receipts from property taxes	11,593,134
Other cash receipts	881,791
Payments for salaries, benefits and payroll taxes	(42,041,072)
Payments to vendors	(10,158,734)
Interest paid	(551,939)
Net Cash from Operating Activities	7,575,572
 Cash Flows from Investing Activities	
Purchases of operating investments	(4,707,966)
Purchases of property and equipment	(2,154,313)
Net Cash used for Investing Activities	(6,862,279)
 Cash Flows from Financing Activities	
Principal payments on bonds, notes and capital leases	(456,379)
Net Cash from Financing Activities	(456,379)
Net Change in Cash and Cash Equivalents	256,914
Cash and Cash Equivalents - Beginning of Year	14,764,100
Cash and Cash Equivalents - End of Year	\$ 15,021,014
 Reconciliation of Change in Net Assets to Net Cash from Operating Activities	
Change in net assets	3,761,103
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	962,360
Realized and unrealized (gain) loss on operating investments	
Changes in operating assets and liabilities	
Accounts receivable	(328,910)
Inventory	52,241
Prepaid expenses	57,174
Other assets cost of issuance	(2,877)
Accounts payable	1,702,861
Accrued expenses and other liabilities	854,900
Accounts payable grantor government	577,223
Accounts payable student groups	32,552
Accrued vacation liability	8,832
Unearned revenue	(101,887)
Net Cash from Operating Activities	7,575,572

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements
June 30, 2019

A. Organization and Significant Accounting Policies

Organization

Granada Hills Charter (the School) was formed as a charter school pursuant to California Education Code §47600 under a charter agreement with Los Angeles Unified School District (the District). The School became a nonprofit benefit corporation on October 22, 2010. The charter agreement was approved by Los Angeles Unified School District and submitted to the California Board of Education in May 2003. The charter agreement was subsequently renewed for two additional five-year terms in 2009 and 2014. The current charter agreement runs through June 30, 2019.

Granada Hills Charter is a tuition-free public high school. The School's mission is to create a community-based high performance model of educational excellence guided by core beliefs, cultural sensitivity, research-based instruction, collaboration, and built-in accountability, that serves the social and academic needs of a diverse student body reflective of the population of the Los Angeles Unified School District and other public schools.

17081 Devonshire LLC (the Corporation) was formed in February 2017, as a California limited liability company, whose sole member is Granada Hills Charter.

Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The Corporation uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Basis of Consolidation

The accompanying financial statements include the accounts of Granada Hills Charter (the School) and the accounts of 17081 Devonshire LLC (the Corporation), a California limited liability company, of which the School is the sole member and a related organization. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the School.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

Property and Equipment

The School records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Investments

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Inventory

The School's inventory comprises associated student body items and is stated at the lower of cost or market determined by the first-in-first-out method. The school has not previously experienced inventory obsolescence and as such has not provided for an allowance for inventory obsolescence for the year ended June 30, 2019.

Net Assets

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.

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. 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.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

Revenue and Revenue Recognition

The School recognizes revenue from sales when the products are transferred and services are provided. The school records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The schools federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. Consequently, at June 30, 2019 there were no conditional contributions, federal, state and local contracts and grants for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the School's program services, administrating, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$8,568 for the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2019, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2019.

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter

Notes to the Financial Statements, Continued

June 30, 2019

The School files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies. Investments are made by diversified investment managers whose performance is monitored by the School and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year to year basis, the School believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Change in Accounting Principles

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The School has adopted these provisions in the accompanying financial statements.

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter

Notes to the Financial Statements, Continued

June 30, 2019

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The School has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The School has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Subsequent Events

The School has evaluated subsequent events through December 16, 2019, the date the financial statements were available to be issued.

B. Liquidity and Availability

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

	Granada Hills Charter	17081 Devonshire LLC
Cash and cash equivalents	\$ 14,229,577	\$ 791,437
Operating investments	9,399,837	-
Accounts receivable	1,904,802	-
	<u>\$ 25,534,216</u>	<u>-</u>

C. Fair Value Measurements and Disclosures

The School reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the School develops inputs using the best information available in the circumstances

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the School's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the School's investment assets are classified within Level 1 because they comprise open end mutual funds with readily determinable fair values based on daily redemption values. The School invests in CDs traded in the financial markets and additionally has funds at the Los Angeles County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2019:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Operating investments				
Cash in county treasury	\$ 9,074,190	\$ 9,074,190	\$ -	\$ -
Bond mutual funds	4,753,049	4,753,049	-	-
Cash and money market funds (at cost)	5,438,225	5,438,225	-	-
	<u>\$ 19,265,464</u>	<u>\$ 19,265,464</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

D. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2019 consisted of the following:

	Granada Hills Charter	17081 Devonshire LLC
Cash in county treasury	\$ 9,074,190	\$ -
Cash in bank accounts	5,155,387	-
Cash in money market accounts	4,646,788	791,437
Cash in mutual funds	4,753,049	-
Total cash and cash equivalents	\$ 23,629,414	\$ 791,437

Cash in County Treasury

The School is a voluntary participant and therefore maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$9,074,190 as of June 30, 2019). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, banker’s acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School’s investment in this pool is reported in the accompanying financial statements at amounts based upon the School’s pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

Cash Equivalents

The School maintains a portion of their funds in short term investments, money market funds and mutual funds (\$10,191,274 as of June 30, 2019). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The School does not anticipate any losses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

Cash in Bank

The remainder of the School’s cash (\$5,155,387 as of June 30, 2019) is held in financial institutions which are either insured by the Federal Deposit Insurance School (FDIC) up to a limit of \$250,000 per depositor or certain non-interest-bearing accounts that are fully insured by the FDIC. As of June 30, 2019, the School held \$2,747,543 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

E. Accounts Receivable

As of June 30, 2019, accounts receivable consisted of the following:

	Granada Hills Charter High School
Federal Government	
Federal Programs	\$ 496,986
State Government	
Special Education	106,765
Lottery Funding	230,640
Other State Programs	72,625
Local Government	
Property tax payments	953,848
Other Local Sources	
Other local sources	43,938
Total Accounts Receivable	\$ 1,904,802

F. Property and Equipment

Consolidated Property and equipment consisted of the following at June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 6,102,402	\$ -	\$ -	\$ 6,102,402
Work in Progress	-	1,895,574	-	1,895,574
Total Non-Depreciable Capital Assets	6,102,402	1,895,574	-	7,997,976
Depreciable Capital Assets				
Leasehold Improvements	2,256,968	-	-	2,256,968
Buildings and Improvements	8,045,068	139,944	-	8,185,012
Equipment, Furniture, and Fixtures	3,649,562	118,795	-	3,768,357
Total Depreciable Capital Assets	13,951,598	258,739	-	14,210,337
Total Capital Assets	20,054,000	2,154,313	-	22,208,313
Less Accumulated Depreciation	(4,206,950)	(962,360)	-	(5,169,310)
Capital Assets, Net	15,847,050	1,191,953	-	17,039,003

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

G. Bonds and Notes Payable

In October 2010, the School issued California School Finance Authority Education Facilities Revenue Bonds, Series 2010 B Qualified School Construction Bonds in the amount of \$5,000,000. The School used proceeds of the bonds to finance the acquisition, construction, improvement and equipping of certain charter school facilities utilized by the School and to pay certain costs of issuance of the 2010 B Bonds.

The maturity date of the Series 2010 B Bonds is July 1, 2020 and the bonds bear interest at a rate of 4.426%. Repayment of the bonds consist of interest only annual payments of \$221,300, with principal and any unpaid interest due and payable on July 1, 2020.

On March 8, 2017, 17081 Devonshire LLC, whose sole member is the School, entered into a loan agreement with the California Municipal Finance Authority for the issuance of \$5,420,000 Series 2017 A Tax-Exempt School Facility Revenue Bonds and \$370,000 Series 2017 B School Facility Revenue Taxable Bonds. The proceeds will be used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the charter school facilities located at 17081 Devonshire Street, Northridge, CA. The facilities will be leased and used by the School.

The Series 2017 A and 2017 B School Facility Revenue Bonds were sold at an original issue premium of \$149,909 with issuance costs of \$403,378 to be amortized over the life of the debt. Interest is payable semiannually on January 1 and July 1, commencing July 1, 2017.

Bonds payable consist of the following at June 30, 2019:

Principal amount	\$ 10,710,000
Less unamortized premium and discounts	84,987
	\$ 10,794,987

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 85,000	\$ 505,913	\$ 590,913
2021	5,090,000	279,801	5,369,801
2022	95,000	274,712	369,712
2023	100,000	269,550	369,550
2024	105,000	264,375	369,375
2025-2029	605,000	1,236,125	1,841,125
2030-2034	770,000	1,065,000	1,835,000
2035-2039	995,000	845,375	1,840,375
2040-2044	1,260,000	564,500	1,824,500
2045-2049	1,605,000	208,625	1,813,625
	\$ 10,710,000	\$ 5,513,976	\$ 16,223,976

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

H. Leases

Related Party Operating Lease

On March 28, 2017 the School entered into a lease agreement with 17081 Devonshire LLC, a limited liability corporation, of which the School is a sole member and related organization, for use of facilities. The agreement does not contain a purchase option and does not meet the requirements for capitalization. As such, the lease has not been recorded on the statement of financial position. The agreement provides for monthly payments that vary for a period of 375 months.

Equipment Operating Lease

The School entered into lease agreements for equipment. The agreements do not contain purchase options and do not meet the requirements for capitalization. As such, the leases have not been recorded on the statement of financial position. The agreements contain termination clauses providing for cancellation after a specified number of days written notice to the lessor, but it is unlikely that the School will cancel the agreements prior to the expiration date.

Capital Lease

On May 15, 2018, the School entered into a lease purchase agreement with SHI International Corp. for student Chromebooks. The agreement provided for annual payments of \$215,000 for 2017-18 and \$415,268 for the remaining years.

Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2020	\$ 415,267	\$ 433,455
2021	415,269	433,505
2022	415,269	372,100
2023	-	372,000
2024	-	371,709
2025-2029	-	1,825,063
2030-2034	-	1,855,050
2035-2039	-	1,865,500
2040-2044	-	1,852,880
2045-2048	-	1,515,298
Total minimum lease payments	<u>1,245,805</u>	<u>\$ 10,896,560</u>
Less amount representing interest	(124,469)	
Capital lease obligation	<u>\$ 1,121,336</u>	

Rent expense for the year ended June 30, 2019 totaled \$617,106.

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

Leased property under capital leases at June 30, 2019 includes the following:

Chromebooks	\$ 1,710,114
	1,710,114
Less accumulated amortization	(588,778)
	\$ 1,121,336

I. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

	Granada Hills Charter
Subject to expenditure for specified purpose:	
Educational Programs	\$ 135,232
Capital Projects	518,603
	653,835
Total net assets with donor restrictions	\$ 653,835

J. Unearned Revenue

At year end the School had performance obligations remaining to expend funds for the CTEIG program. As such unexpended cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2019:

	Granada Hills Charter
Unearned Revenue, beginning of period	\$ 970,618
Increases in deferred revenue due to cash received during the period	868,731
Decreases in deferred revenue due to performance obligations met during the period	(970,618)
Unearned Revenue, end of period	\$ 868,731

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

K. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Schools choose to stop participating in some of its multi-employer plans, the Schools may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Schools participation in these plans for the fiscal year ended June 30, 2019, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2019, 2018 and 2017 is for the plan's year-end at June 30, 2019, 2018 and 2017, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Period to Period Comparability:

Granada Hills Charter increased in CalSTRS contributions from 2017 to 2018 by 13.35% followed by an increase in 2019 of 18%. Granada Hills Charter decreased in CalPERS contributions from 2017 to 2018 by 5.76% followed by an increase in 2019 of 20.7%. The increases in 2018 and 2019 were in large due to rising contribution rates and the need for more staff.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
		2019	2018	2017	
CalSTRS	19746	Yellow	Yellow	Yellow	No
CalPERS	7340355290	Yellow	Yellow	Yellow	No

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter

Notes to the Financial Statements, Continued

June 30, 2019

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2019	2018	2017		
CalSTRS	\$ 3,325,165	\$ 2,817,705	\$ 2,485,888	241	No
CalPERS	1,214,022	1,005,805	1,067,232	120	No
Total	\$ 4,539,187	\$ 3,823,510	\$ 3,553,120	361	

CalSTRS:

The School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level of percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2019, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 16.28% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2019 the State contributed \$3,147,877 (15.412% of certificated salaries) on behalf of the School.

CalPERS:

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018-19 was 18.062% of classified salaries. The School made contributions as noted above. For the year ended June 30, 2019 the State contributed \$434,472 (6.464% of classified salaries) on behalf of the School.

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

L. Joint Ventures (Joint Powers Agreements)

The School participates in two joint powers agreement (JPA) entities, the California Charter Schools Joint Powers Authority (CCS-JPA) and the Alliance of Schools for Cooperative Insurance Program (ASCIP). The relationship between the School and the JPAs is such that the JPAs are not component units of the school.

The JPAs arrange for and provide for various types of insurances for its member districts and schools as requested. The JPAs are governed by boards consisting of one or more representatives from each member. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts and schools beyond their representation on the boards. Each member district and school pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

The JPAs have budgeting and financial reporting requirements independent of member units and therefore the JPAs' financial statements are not presented in these financial statements; however, transactions between the School and the JPAs are included in these statements. Audited financial statements for the year ended June 30, 2018 were not available at the time this report was issued. Financial statements from the JPAs are available upon request from the respective agencies.

M. Related Party Transactions

Related parties as defined by generally accepted accounting standards include:

1. Affiliates of the entity,
2. Management and members of their immediate families, or
3. Other parties that can significantly influence management or operating policies.

Granada Hills Charter and 17081 Devonshire LLC, are affiliated through common executive management. The LLC holds part of the building and debt on it's books and facilitates the lease for the School..

The following represents material transactions between the affiliated organizations that occurred during the 2018-19 fiscal year:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Granada Hills Charter	17081 Devonshire LLC	\$ 395,750	Rent and Interest

The accompanying notes to the financial statements are an integral part of this statement.

Granada Hills Charter
Notes to the Financial Statements, Continued
June 30, 2019

N. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective during the 2019-20 fiscal year:

1. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
2. FASB ASU 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors*
3. FASB ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a benchmark Interest Rate for Hedge Accounting Purposes*
4. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements*
5. FASB ASU 2018-10 *Improvements to Topic 842, Leases*
6. FASB ASU 2018-09 *Codification Improvements*
7. FASB ASU 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
8. FASB ASU 2018-02 *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*
9. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*
10. FASB ASU 2017-15 *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*
11. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*
12. FASB ASU 2017-10 *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services*
13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*
14. FASB ASU 2017-06 *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting*
15. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
16. FASB ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*
17. FASB ASU 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*
18. FASB ASU 2016-02 *Leases (Topic 842)*

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2019-20 fiscal year will not impact the financial accounting or presentation for the School.

The accompanying notes to the financial statements are an integral part of this statement.

Supplementary Information

Granada Hills Charter
Combining Consolidated Statement of Financial Position
June 30, 2019

	Granada Hills Charter	17081 Devonshire LLC	Elimination	Total
Assets				
Cash and cash equivalents	\$ 14,229,577	\$ 791,437	\$ -	\$ 15,021,014
Operating investments	9,399,837	-	-	9,399,837
Accounts receivable	1,904,802	-	-	1,904,802
Inventory	24,274	-	-	24,274
Prepaid expenses	306,527	-	-	306,527
Other assets cost of issuance	-	331,610	-	331,610
Property and equipment, net	7,914,716	9,124,287	-	17,039,003
Total Assets	<u>\$ 33,779,733</u>	<u>\$ 10,247,334</u>	<u>\$ -</u>	<u>\$ 44,027,067</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable vendors	\$ 711,455	\$ 1,839,715	\$ -	\$ 2,551,170
Accrued expenses and other liabilities	5,285,885	-	-	5,285,885
Accounts payable grantor government	577,223	-	-	577,223
Accounts payable student groups	221,936	-	-	221,936
Accrued vacation liability	220,047	-	-	220,047
Unearned revenue	868,731	-	-	868,731
Capital lease obligations	1,121,336	-	-	1,121,336
Bonds and notes payable	5,000,000	5,794,987	-	10,794,987
Total Liabilities	<u>14,006,613</u>	<u>7,634,702</u>	<u>-</u>	<u>21,641,315</u>
Net Assets				
Without donor restrictions				
Undesignated	17,325,905	(716,668)	-	16,609,237
Invested in property and equipment, net of related debt	1,793,380	3,329,300	-	5,122,680
	<u>19,119,285</u>	<u>2,612,632</u>	<u>-</u>	<u>21,731,917</u>
With donor restrictions				
Restricted for state programs	653,835	-	-	653,835
	<u>653,835</u>	<u>-</u>	<u>-</u>	<u>653,835</u>
Total Net Assets	<u>19,773,120</u>	<u>2,612,632</u>	<u>-</u>	<u>22,385,752</u>
Total Liabilities and Net Assets	<u>\$ 33,779,733</u>	<u>\$ 10,247,334</u>	<u>\$ -</u>	<u>\$ 44,027,067</u>

See accompanying notes to supplementary information

Granada Hills Charter
Combining Consolidated Statement of Activities
June 30, 2019

	Granada Hills Charter		17081 Devonshire LLC	Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	
Revenue, Support, and Gains					
Local Control Funding Formula (LCFF) sources					
State aid	\$ 26,130,979	\$ -	\$ -	\$ -	\$ 26,130,979
Education protection account state aid	8,555,420	-	-	-	8,555,420
Transfers in lieu of property taxes	11,593,134	-	-	-	11,593,134
Total LCFF sources	<u>46,279,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,279,533</u>
Federal contracts and grants	-	3,904,434	-	-	3,904,434
State contracts and grants	4,090,450	337,203	-	-	4,427,653
Local contracts and grants	4,687,480	-	-	-	4,687,480
Net investment return	44,573	-	-	-	44,573
Rental income	449,289	-	395,749	(395,750)	449,288
Interest income	387,930	-	-	-	387,930
Net assets released from restriction -					
Grant restrictions satisfied	9,081,870	(9,081,870)	-	-	-
Total revenue, support, and gains	<u>65,021,125</u>	<u>(4,840,233)</u>	<u>395,749</u>	<u>(395,750)</u>	<u>60,180,891</u>
Expenses and Losses					
Program services expense	44,461,801	-	369,650	(395,750)	44,435,701
Supporting services expense	11,700,387	-	283,700	-	11,984,087
Total expenses and losses	<u>56,162,188</u>	<u>-</u>	<u>653,350</u>	<u>(395,750)</u>	<u>56,419,788</u>
Change in Net Assets	8,858,937	(4,840,233)	(257,601)		3,761,103
Net Assets, Beginning of Year (See Note XX)	10,260,348	5,494,068	2,870,233	-	18,624,649
Net Assets, End of Year	<u>\$ 19,119,285</u>	<u>\$ 653,835</u>	<u>\$ 2,612,632</u>	<u>\$ -</u>	<u>\$ 22,385,752</u>

See accompanying notes to supplementary information

Granada Hills Charter

Organization Structure

June 30, 2019

Granada Hills Charter (#572) was formed as a charter school pursuant to Education Code Section 47600 under an agreement with Los Angeles Unified School District granted in May 2003. In June 2009 the Los Angeles Unified School District renewed the School's charter for a five-year period ending June 30, 2014. In February 2014, the School was again renewed for a five-year period ending June 30, 2019.

The School's mission is to create a community-based high performance model of educational excellence guided by core beliefs, cultural sensitivity, research-based instruction, collaboration and built-in accountability that serves the social and academic needs of a diverse student body reflective of the population of the Los Angeles Unified School District and other public schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Jim Salin	Chair	Two Year Term Expires December 2018
Jesus Vaca	Member	Two Year Term Expires December 2019
Joan Lewis	Member	Two Year Term Expires December 2018
Jody Dunlap	Member	Two Year Term Expires December 2019
Supriya Chakravarty	Member	Two Year Term Expires December 2019
Steve Bourgouin	Member	Two Year Term Expires December 2018
Lorene Dixon	Member	Two Year Term Expires December 2019

ADMINISTRATION

Brian Bauer
Executive Director

Dr. Dilmit Singh
Chief Academic Officer

Erin Lillibridge
Chief Business Officer

See accompanying notes to supplementary information

Granada Hills Charter
 Schedule of Average Daily Attendance
 Year Ended June 30, 2019

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u> 9A9A6EFF	<u>Revised</u> N/A	<u>Original</u> 2D734DEE	<u>Revised</u> N/A
Classroom Based Attendance				
Grades 9-12	<u>4,159.59</u>	<u>N/A</u>	<u>4,155.79</u>	<u>N/A</u>
Total Classroom Based Attendance	<u>4,159.59</u>	<u>N/A</u>	<u>4,155.79</u>	<u>N/A</u>
Non-Classroom Based Attendance				
Grades 9-12	<u>330.03</u>	<u>N/A</u>	<u>328.79</u>	<u>N/A</u>
Total Non-Classroom Based Attendance	<u>330.03</u>	<u>N/A</u>	<u>328.79</u>	<u>N/A</u>
Total ADA	<u><u>4,489.62</u></u>	<u><u>N/A</u></u>	<u><u>4,484.58</u></u>	<u><u>N/A</u></u>

Granada Hills Charter
Schedule of Instructional Time
Year Ended June 30, 2019

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Traditional Days	Status
9th Grade	64,800	72,892	180	Complied
10th Grade	64,800	72,892	180	Complied
11th Grade	64,800	72,892	180	Complied
12th Grade	64,800	71,907	180	Complied

Granada Hills Charter
Schedule of Financial Trends and Analysis
Year Ended June 30, 2019

	Budget 2020	2019	2018	2017
Revenues	\$ 65,681,054	\$ 60,180,891	\$ 57,607,909	\$ 55,634,959
Expenses	64,845,837	56,419,788	55,206,185	56,648,295
Change in Net Assets	<u>835,217</u>	<u>3,761,103</u>	<u>2,401,724</u>	<u>(1,013,336)</u>
Ending Net Assets	<u>\$ 23,220,969</u>	<u>\$ 22,385,752</u>	<u>\$ 18,624,649</u>	<u>\$ 16,222,925</u>
Unrestricted Net Assets	<u>\$ 23,220,969</u>	<u>\$ 21,731,917</u>	<u>\$ 13,130,581</u>	<u>\$ 15,804,122</u>
Unrestricted net assets as a percentage of total expenses	<u>35.81%</u>	<u>38.52%</u>	<u>23.78%</u>	<u>27.90%</u>
Total Long Term Debt	<u>\$ 11,457,544</u>	<u>\$ 11,916,323</u>	<u>\$ 11,918,924</u>	<u>\$ 10,536,531</u>
ADA at P2	<u>4,923</u>	<u>4,490</u>	<u>4,554</u>	<u>4,538</u>

The School's ending net assets has increased by \$6,162,827 (37.99%) over the past three fiscal years. The significant increase is in large due to the School maintaining efficiency in expenditures while revenue per ADA and other sources has increased. The average daily attendance (ADA) reported by the School has decreased by 48 (1.06%) over the past three years. The 2019-20 fiscal year budget projects an increase in net assets of \$835,217 (3.73%) and an increase in ADA of 433 (9.64%).

Granada Hills Charter

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements Year Ended June 30, 2019

June 30, 2019 annual financial alternative form net assets:	\$ 22,380,274
Adjustments for LLC included in alternative form net assets:	
Understatement of cash and investments	1,034,335
Overstatement of capital assets	(8,002,951)
Overstatement of accounts payable	343,414
Understatement of accounts payable grantor government	(549,519)
Overstatement of long term debt	4,808,711
Overstatement of deferred outflows of resources	(328,733)
Overstatement of deferred inflows of resources	87,588
Rounding	<u>1</u>
Total adjustments and reclassifications	<u>(2,607,154)</u>
June 30, 2019 audited financial statements net assets:	<u>\$ 19,773,120</u>

See accompanying notes to supplementary information

Granada Hills Charter
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Federal Expenditures
SPECIAL EDUCATION (IDEA) CLUSTER:				
U.S. Department of Education				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	\$ -	\$ 941,547
Total Special Education (IDEA) Cluster			-	941,547
OTHER PROGRAMS				
U.S. Department of Education				
Passed through State Department of Education				
Title I	84.010	14329	\$ -	\$ 844,866
Title IV Student Support	84.424	15396	-	56,719
Vocational Education	84.048	14894	-	68,567
Workability	84.126	10006	-	66,232
21st Century - ASSETS	84.287	14535	-	212,500
Facilities Incentive Grant	84.282D	14941	-	126,444
Title II - Teacher Quality	84.367	14341	-	138,581
Total passed through State Department of Education			-	1,513,909
Total U.S. Department of Education			-	2,455,456
U.S. Department of Agriculture				
Passed through State Department of Education				
School Breakfast Program	10.553	13525	-	450,334
National School Lunch Program	10.553	13523	-	813,333
Total Child Nutrition Cluster			-	1,263,667
Child and Adult Care Food Program	10.558	13666	-	58,531
Total passed through State Department of Education			-	1,322,198
Total U.S. Department of Agriculture			-	1,322,198
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 3,777,654

See accompanying notes to schedule of expenditures of federal awards.

Granada Hills Charter

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The School used an indirect cost rate of 5.11% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*.

Program	CFDA #	Indirect Cost Rate
Vocational Education	84.048	5.00%
21st Century ASSETS	84.287	5.00%

Schoolwide Program

The School operates a “schoolwide program” at the school site. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the School in its schoolwide program:

Program	CFDA #	Amount Expended
Title I	84.010	\$ 844,866

Granada Hills Charter
Notes to Supplementary Information
Year Ended June 30, 2019

A. Purpose of Schedules

Combining Statement of Financial Position

This schedule provides the information by school which combines into the School's overall statement of net position, with eliminations for activities between the schools within the School.

Combining Statement of Activities

This schedule provides the information by school which combines into the School's overall statement of activities.

Organization Structure

This schedule provides information about the schools' charter numbers, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure of the number of pupils attending classes of the schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 46200 through 46206. Charter schools must maintain their instructional minutes at the 1986-87 requirements as adjusted by Education Code sections later adopted. The schools neither met nor exceeded their LCFF target.

Schedule of Financial Trends and Analysis

Budget information for 2020 is presented for analysis purposes only and is based on estimates of the 2019-20 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Forms prepared by the schools to the net assets reported in the audited financial statements.

Other Independent Auditors' Reports

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Granada Hills Charter
Granada Hills, CA

Report on Compliance for Each Major Federal Program

We have audited Granada Hills Charter's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Granada Hills Charter's major federal programs for the year ended June 30, 2019. Granada Hills Charter's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Granada Hills Charter's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Granada Hills Charter's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Granada Hills Charter's compliance.

Opinion on Each Major Federal Program

In our opinion, Granada Hills Charter complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Granada Hills Charter is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Granada Hills Charter's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Granada Hills Charter's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

William A. King & Co., LLP

El Cajon, California
December 16, 2019

Independent Auditor's 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*

To the Board of Directors
Granada Hills Charter
Granada Hills, CA

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 Granada Hills Charter (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Granada Hills Charter's internal control over financial reporting (internal control) to determine the 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 Granada Hills Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of Granada Hills Charter'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Granada Hills Charter'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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William Stanley King & Co, LLP

El Cajon, California
December 16, 2019

Independent Auditor's Report on State Compliance

To the Board of Directors
Granada Hills Charter
Granada Hills, CA

Report on State Compliance

We have audited the Corporation's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the school's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit Guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States; and the State's audit guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools	
A. Attendance.....	N/A
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
D. Independent Study.....	N/A
E. Continuation Education.....	N/A
F. Instructional Time.....	N/A
G. Instructional Materials.....	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	N/A
L. School Accountability Report Card.....	N/A
M. Juvenile Court Schools.....	N/A
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
P. Transportation Maintenance of Effort.....	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	N/A
S. District of Choice.....	N/A
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
Charter Schools	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	N/A

The term N/A is used above to mean either the school did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Granada Hills Charter complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

William A. Kelley King & Co., LLP

El Cajon, California
December 16, 2019

Auditor's Results, Findings & Recommendations

Granada Hills Charter
 Schedule of Auditor's Results
 Year Ended June 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Compliance supplement utilized for single audit August 2019

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027	Special Education

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

Auditee qualified as low-risk auditee? Yes X No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2018-19 Guide for Annual Audits of California K-12 Local Education Agencies?* Yes X No

Type of auditor's report issued on compliance for state programs: Unmodified

Granada Hills Charter
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2019

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
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

A. Financial Statement Findings

There are no findings to report.

B. Federal Award Findings

There are no findings to report.

C. State Award Findings

There are no findings to report.

Granada Hills Charter
Schedule of Prior Year Audit Findings
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings reported in the prior year audit.	N/A	N/A