

GRANADA HILLS CHARTER HIGH SCHOOL  
CHARTER SCHOOL #572  
GRANADA HILLS, CALIFORNIA

CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2018

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Consolidated Financial Statements and Supplemental Information  
Year Ended June 30, 2018

---

**TABLE OF CONTENTS**

<b><u>INDEPENDENT AUDITOR’S REPORT</u></b>	<b><u>1</u></b>
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>3</u></b>
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Cash Flows .....	5
Notes to the Consolidated Financial Statements.....	6
<b><u>SUPPLEMENTARY INFORMATION</u></b>	<b><u>21</u></b>
Organization Structure .....	21
Schedule of Average Daily Attendance .....	22
Schedule of Instructional Time .....	23
Schedule of Financial Trends and Analysis .....	24
Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements.....	25
Schedule of Expenditures of Federal Awards.....	26
Notes to the Schedule of Expenditures of Federal Awards.....	27
Combining Consolidated Financial Position.....	28
Combining Consolidated Statement of Activities.....	29
Notes to the Supplementary Information .....	30
<b><u>OTHER INDEPENDENT AUDITORS’ REPORTS</u></b>	<b><u>31</u></b>
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 <i>Government Auditing Standards</i> .....	31
Independent Auditor’s Report on compliance for each major program and on internal control over compliance required by the uniform guidance .....	33
Independent Auditor’s Report on State Compliance .....	35
<b><u>AUDITOR’S RESULTS, FINDINGS &amp; RECOMMENDATIONS</u></b>	<b><u>38</u></b>
Schedule of Auditor’s Results .....	38
Schedule of Findings and Questioned Costs.....	39
Schedule of Prior Year Audit Findings.....	40



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Mark Bomediano, CPA

Aubrey W. Mann, CPA  
Kevin A. Sproul, CPA

## Independent Auditor's Report

To the Board of Directors of  
Granada Hills Charter High School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Granada Hills Charter High School (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Granada Hills Charter High School as of June 30, 2018, 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.

## **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* (CFR) 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 supplementary information, as required by the *2017-18 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 7, 2018, on our consideration of Granada Hills Charter High School'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 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 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 High School's internal control over financial reporting and compliance.

*William A. King & Co., LLP*

El Cajon, California  
December 7, 2018

## Financial Statements

**GRANADA HILLS CHARTER HIGH SCHOOL**

Consolidated Statement of Financial Position

June 30, 2018

---

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 14,764,100
Investments	4,691,871
Accounts receivable	1,575,892
Prepaid cost of issuance	328,733
Prepaid expenses	363,701
Inventory	76,515
<b>Total Current Assets</b>	<u>21,800,812</u>

**Noncurrent Assets**

Capital assets, net	15,847,050
<b>Total Noncurrent Assets</b>	<u>15,847,050</u>

**TOTAL ASSETS** \$ 37,647,862

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 848,309
Accrued payroll	4,430,985
Accounts payable to student groups	189,384
Unearned revenue	970,618
Accrued vacation liability	211,215
Capital leases, current portion	373,778
Bonds payable, current portion	80,000
<b>Total Current Liabilities</b>	<u>7,104,289</u>

**Long Term Liabilities**

Capital leases, less current portion	1,121,336
Bonds payable, less current portion	10,797,588
<b>Total Long Term Liabilities</b>	<u>11,918,924</u>

**Total Liabilities** 19,023,213

**Net Assets**

Unrestricted	13,130,581
Temporarily restricted	5,494,068
<b>Total Net Assets</b>	<u>18,624,649</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 37,647,862

The accompanying notes are an integral part of this statement.

**GRANADA HILLS CHARTER HIGH SCHOOL**

Consolidated Statement of Activities

Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
<b>Revenue</b>			
LCFF state aid, current year	\$ 25,466,030	\$ -	\$ 25,466,030
LCFF state aid, prior year	(1,758)	-	(1,758)
Education protection account funds	7,362,443	-	7,362,443
Payments in lieu of property taxes	11,093,125	-	11,093,125
Federal revenue	-	3,650,896	3,650,896
Other state revenue	1,648,387	2,199,498	3,847,885
Interest	483,067	-	483,067
Other local revenue	246,717	5,459,504	5,706,221
<b>Total Revenues</b>	<u>46,298,011</u>	<u>11,309,898</u>	<u>57,607,909</u>
 Net assets released from restrictions:			
Grant restrictions satisfied	<u>6,234,633</u>	<u>(6,234,633)</u>	<u>-</u>
 <b>TOTAL REVENUE AND SUPPORT</b>	<u>52,532,644</u>	<u>5,075,265</u>	<u>57,607,909</u>
 <b>EXPENSES</b>			
Certificated salaries	21,676,705	-	21,676,705
Noncertificated salaries	7,437,037	-	7,437,037
Taxes and employee benefits	12,363,867	-	12,363,867
Books and supplies	4,302,877	-	4,302,877
Rentals, leases and repairs	1,276,079	-	1,276,079
Other operating expenditures	6,857,818	-	6,857,818
Debt service interest	331,258	-	331,258
Amortization expense	12,324	-	12,324
Depreciation expense	948,220	-	948,220
 <b>TOTAL EXPENSES</b>	<u>55,206,185</u>	<u>-</u>	<u>55,206,185</u>
 <b>CHANGE IN NET ASSETS</b>	(2,673,541)	5,075,265	2,401,724
 <b>NET ASSETS, BEGINNING OF YEAR</b>	<u>15,804,122</u>	<u>418,803</u>	<u>16,222,925</u>
 <b>NET ASSETS, END OF YEAR</b>	<u>\$ 13,130,581</u>	<u>\$ 5,494,068</u>	<u>\$ 18,624,649</u>

The accompanying notes are an integral part of this statement.

**GRANADA HILLS CHARTER HIGH SCHOOL**

Consolidated Statement of Cash Flows

Year Ended June 30, 2018

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 2,401,724
Depreciation	948,220
Amortization	12,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	(242,219)
Prepaid cost of issuance	(328,733)
Prepaid expenses	(198,190)
Inventory	31,481
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	(414,769)
Accrued payroll	448,008
Accounts payable to student groups	(56,352)
Unearned revenue	815,355
Accrued vacation liability	5,331

**NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** 3,422,180

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of capital assets	(1,952,475)
Increase in investments	<u>(707,495)</u>

**NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES** (2,659,970)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from capital leases	1,710,114
Proceeds from loan payable	328,733
Principal payments on capital leases	<u>(215,000)</u>

**NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES** 1,823,847

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 2,586,057

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 12,178,043

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$14,764,100

The accompanying notes are an integral part of this statement.



# GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Consolidated Financial Statements

Year Ended June 30, 2018

---

## A. Organization and Summary of Significant Accounting Policies

### *Organization*

Granada Hills Charter High School (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 High School 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 High School.

### *Basis of Consolidation*

The accompanying financial statements include the accounts of Granada Hills Charter High School (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.

### *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the School is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.
- Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the School may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The School had no permanently restricted net assets during the year.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the School considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

*Investments*

The School's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying statement of activities. As of June 30, 2018 the School did have investments.

*Accounts Receivable*

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary as management believes that all amounts are collectible.

*Capital Assets*

Property and equipment are recorded at cost, or estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the School's earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred. The School's policy is to evaluate the remaining lives and recoverability in light of the current conditions. It is reasonably possible that the School's estimate to recover the carrying amount of the property and equipment will change. Estimated useful lives range from three to fifty years depending on the asset.

*Unearned Revenue*

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition or when resources are received by the School prior to the School meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the School has legal claim to the resources, the liability for unearned revenue is removed from the statement of financial position and revenue is recognized.

As of June 30, 2018, the School did have unearned revenue.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

*Revenue Recognition*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions.

All donor or grant restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Contributed Materials and Services*

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The School receives services donated by volunteers in carrying out the School's operations. The services do not meet the criteria as contributions and are, therefore, not recognized in the financial statements.

*Donated Property and Equipment*

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

*LCFF Revenues and Payments in Lieu of Property Taxes*

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the School's average daily attendance (ADA) as reported at the Second Principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 76% of the school's revenue. The School is not at risk of losing these funding sources, as long as the school maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

*Advertising*

Advertising costs are expensed when incurred.

*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, 2018, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

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, 2018.

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.

*New Accounting Guidance*

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that are effective during the 2017-18 fiscal year:

1. FASB ASU 2018-06 *Codification Improvements to Topic 942, Financial Services – Depository and Lending*
2. FASB ASU 2017-05 *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets*
3. FASB ASU 2016-17 *Consolidation (Topic 810): Interests Held through Related Parties that are under Common Control*
4. FASB ASU 2016-07 *Investments – Equity Method and Joint Ventures (Topic 323)*

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 2017-18 fiscal year did not impact the financial accounting or presentation for the School. No adjustments have been made as a result of the new accounting guidance.

*Subsequent Events*

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 7, 2018, the date the financial statements were available to be issued.

**B. Cash and Cash Equivalents**

*Cash in County Treasury*

The School is a voluntary participant and therefore maintains a portion of its cash in the Los Angeles County Treasury as part of the common investment pool (\$8,663,768 as of June 30, 2018). 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.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

**C. Cash and Cash Equivalents**

*Cash in Bank*

The remainder of the Schools' cash (\$6,100,332 as of June 30, 2018) is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (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, 2018, the School did not have any cash that was exposed to uninsured deposit risk.

At June 30, 2018 the School had two bank accounts in financial institutions whose bank balance exceeded the FDIC insurance coverage by \$5,599,082. 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 believes they are not exposed to any significant credit risk on cash and cash equivalents.

**D. Investments**

	Maturity	Category			Fair Value
		1	2	3	
Payden Absolute Return Bond Fund	<30 Days	396,367	-	-	396,367
Payden Core Bond Fund	<30 Days	778,999	-	-	778,999
Payden Low Duration Fund	<30 Days	1,774,891	-	-	1,774,891
Payden Strategic Income Fund	<30 Days	976,776	-	-	976,776
Wilmington Trust	<30 Days	625,543	-	-	625,543
Blackrock Liquidity Funds	<30 Days	139,295	-	-	139,295
		<u>\$4,691,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,691,871</u>

*Fair Value*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Corporation to determine fair value are consistent with the market or income approaches. The Corporation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized on one of the following levels:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 – Valuations based on inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when observable inputs are not readily available, the Corporation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. The Corporation did not hold any investments with unobservable inputs. In some cases, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In such cases, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

**E. Accounts Receivable**

As of June 30, 2018, accounts receivable consisted of:

	<u>Accounts Receivable</u>
Federal Government:	
Federal Grants	\$ 476,955
State Government:	
Lottery Revenue	199,849
Other State Grants	3,879
Local Sources:	
In Lieu of Property Taxes	829,424
Other Local Sources	<u>65,785</u>
Total Accounts Receivable	<u>\$ 1,575,892</u>

**F. Prepaid Expenses**

As of June 30, 2018, prepaid expenses consisted of \$363,701 in prepaid vendor payments.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

**G. Capital Assets**

As of June 30, 2018, capital assets consisted of:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 6,102,402	\$ -	\$ -	\$ 6,102,402
Building	8,209,344	62,366	-	8,271,710
Leasehold improvements	2,256,968	-	-	2,256,968
Equipment - capital lease	-	1,710,114	-	1,710,114
Equipment	1,748,851	179,995	-	1,928,846
<b>Total capital assets</b>	<b>18,317,565</b>	<b>1,952,475</b>	<b>-</b>	<b>20,270,040</b>
Less accumulated depreciation	(3,474,770)	(948,220)	-	(4,422,990)
<b>Capital assets, net</b>	<b><u>\$ 14,842,795</u></b>	<b><u>\$ 1,004,255</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,847,050</u></b>

**H. Accounts Payable**

As of June 30, 2018, accounts payable consisted of:

	Accounts Payable
Vendors Payable	\$ 284,221
Accounts payable to LAUSD	564,088
<b>Total Accounts Payable</b>	<b><u>\$ 848,309</u></b>

**I. Unearned Revenue**

As of June 30, 2018, unearned revenue consisted of

California Technical Education Incentive Grant	\$ 964,957
Cafeteria prepaid lunch account	5,661
<b>Total Unearned Revenue</b>	<b><u>\$ 970,618</u></b>

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

**J. Long-Term Debt**

1. Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
Qualified School Construction Bonds Series 2010-B	9/30/2010	4.426%	7/1/2020	\$ 5,000,000
School Facility Revenue Bonds Series 2017-A	3/8/2017	5.500%	7/1/2048	5,420,000
School Facility Revenue Bonds Series 2017-B Taxable	3/8/2017	5.000%	7/1/2022	370,000
Total Bonds				<u>\$ 10,790,000</u>

  

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Qualified School Construction Bonds Series 2010-B	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -
School Facility Revenue Bonds Series 2017-A	5,420,000	-	-	5,420,000	-
School Facility Revenue Bonds Series 2017-B Taxable	370,000	-	-	370,000	80,000
2017-A&B Bond Premium	149,909	-	4,836	145,073	4,836
2017-A&B Debt Issuance Costs	(414,131)	-	(14,913)	(399,218)	(14,913)
Total Bonds	<u>\$ 10,525,778</u>	<u>\$ -</u>	<u>\$ (10,077)</u>	<u>\$ 10,535,855</u>	<u>\$ 69,923</u>

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.



**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

Debt service requirements on the bonds, net of premium and issuance costs at June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	80,000	512,650	592,650
2020	85,000	508,250	593,250
2021	5,090,000	282,275	5,372,275
2022	95,000	277,325	372,325
2023	100,000	272,100	372,100
2024-2028	575,000	1,280,000	1,855,000
2029-2033	735,000	1,121,000	1,856,000
2034-2038	945,000	917,500	1,862,500
2039-2043	1,205,000	656,250	1,861,250
2044-2048	1,525,000	325,000	1,850,000
2049-2052	355,000	17,750	372,750
Total	<u>10,790,000</u>	<u>6,170,100</u>	<u>16,960,100</u>

2. Bond Premium

Bond Premium arises when the market rate of interest is lower than the stated rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond. The premium is amortized over the life of the bond using the effective interest method.

The following bonds were issued at a premium resulting in effective interest as follows:

	2017 Series A&B
Total Interest Payments on Bond	\$ 5,802,765
Less Bond Premium	149,909
Net Interest Payments	<u>\$ 5,652,856</u>
Par amount of Bonds	\$ 5,790,000.0
Periods	32
Effective Interest Rate	3.05%

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

**K. Operating Lease – Related Party Transaction**

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. Future minimum lease payments under the agreement are as follows:

Year Ended June 30,	Lease Payments to 17081 Devonshire LLC
2019	\$ 371,950
2020	372,275
2021	372,325
2022	372,100
2023	372,000
2024-2028	1,856,250
2029-2033	1,854,250
2034-2038	1,865,250
2039-2043	1,856,000
2044-2048	1,853,750
Total	11,146,150

**L. 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.

Future minimum lease payments under the agreements are as follows:

Year Ended June 30,	Lease Payments
2019	\$ 69,825
2020	61,180
2021	61,180
Total	\$ 192,185

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

**M. Capital Leases**

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. As of June 30, 2018, the School was obligated for the following remaining payments:

Year Ended June 30,	Lease Payments
2019	\$ 415,268
2020	415,268
2021	415,268
2022	415,268
Total	\$ 1,661,072

**N. Temporarily Restricted Ending Net Assets and Board Designated Unrestricted Ending Net Assets**

As of June 30, 2018 temporarily restricted net assets consisted of:

CA Clean Energy Proposition 39	\$ 548,860
Other Misc Grants and Donations	1,625
Associated Student Body Fund	386,697
Devonshire LLC Fund	2,882,224
Facilities	1,674,662
Total Temporarily Restricted Net Assets	\$ 5,494,068

**O. Commitments and Contingencies**

*State and Federal Allowances, Awards, and Grants*

The School has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement will not be material. As a result, no liability has been accrued.

*Sick Leave*

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulate sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, it is not appropriate to accrue the value of the accumulated sick leave.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

**P. Functional Expenses**

As of June 30, 2018, functional expenses for Granada Hills Charter High School consisted of:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Compensation of officers, directors, trustees and key employees			\$ -
Other salaries and wages	24,377,645	4,736,098	29,113,743
Pension plan accruals and contributions	4,493,169	872,935	5,366,104
Other employee benefits	5,137,174	998,052	6,135,226
Payroll taxes	722,222	140,314	862,536
Fees for services (non-employees):			
Management	-	22,405	22,405
Legal	-	187,736	187,736
Accounting	-	-	-
Other: Consultants	1,388,421	347,105	1,735,526
Other: District oversight fees	-	-	-
Other: Bank and payroll processing fees	-	409,002	409,002
Advertising and promotion	-	10,601	10,601
Office expenses	888,208	-	888,208
Information technology	121,237	-	121,237
Occupancy	1,276,079	-	1,276,079
Travel	166,378	10,041	176,419
Interest	-	331,257	331,257
Amortization	-	12,324	12,324
Depreciation	868,922	79,299	948,221
Insurance	-	245,680	245,680
All other expenses:			
Books and curriculum	759,402	-	759,402
Supplies	3,543,476	-	3,543,476
Transfers out	-	1,162,675	1,162,675
Subagreements for services	1,527,253	-	1,527,253
Dues and memberships	-	65,733	65,733
Student events	262,812	-	262,812
Other services and operating expenses	42,530	-	42,530
<b>Total expenses</b>	<u>\$ 45,574,928</u>	<u>\$ 9,631,257</u>	<u>\$ 55,206,185</u>

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

**Q. 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 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 School chooses to stop participating in some of its multi-employer plans, the School may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in these plans for the fiscal year ended June 30, 2018, 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 2018, 2017 and 2016 is for the plan's year-end at June 30, 2018, 2017 and 2016, 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. Finally, the CalSTRS and CalPERS contribution rates, salaries and covered employees have continued to increase annually affecting the period-to-period comparability of the contributions for the years ended June 30, 2016, 2017 and 2018.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30			FIP/RP Status Pending/ Implemented
		2018	2017	2016	
CalSTRS	19746	Yellow	Yellow	Yellow	No
CalPERS	7340355290	Yellow	Yellow	Yellow	No

  

Pension Fund	Year Ended June 30			Number of Employees	Surcharge Imposed
	2018	2017	2016		
CalSTRS	\$ 2,817,705	\$ 2,485,888	\$ 2,164,468	249	No
CalPERS	1,005,805	1,067,232	745,625	125	No

**CalSTRS:**

The School contributes to the 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 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.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

For the fiscal year ended June 30, 2018, active plan members were required to contribute between 9.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 14.43% 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, 2018 the State contributed \$1,542,594 (7.1% of creditable salaries from 2017-18) 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 were required to contribute between 6.5% and 7% of their salary, depending on their hire date, 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 rates for fiscal year 2017-18 were 15.531% of salaries. The School made contributions as noted above.

**R. 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.

**GRANADA HILLS CHARTER HIGH SCHOOL**  
Notes to the Consolidated Financial Statements (Continued)  
Year Ended June 30, 2018

---

**S. Upcoming Changes in Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective during the 2018-19 fiscal year:

1. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*
2. FASB ASU 2017-09 *Compensation – Stock Compensation (Topic 718)*
3. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715)*
4. FASB ASU 2017-01 *Business Combinations (Topic 805)*
5. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*
6. FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*
7. FASB ASU 2016-09 *Compensation – Stock Compensation (Topic 718)*
8. FASB ASU 2016-06 *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*
9. FASB ASU 2016-05 *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*
10. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored Value Products*
11. FASB ASU 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*

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 2018-19 fiscal year will not impact the financial accounting or presentation for the School with exception of FASB ASU 2016-14.

FASB ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* changes the classification and presentation of net assets. In addition, the update will provide for enhanced note disclosures that affect Not-for-Profit entities. No adjustments have been made as a result of the new accounting guidance.

## Supplementary Information



# GRANADA HILLS CHARTER HIGH SCHOOL

Organization Structure  
Year Ended June 30, 2018

Granada Hills Charter High School (#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 HIGH SCHOOL**

Schedule of Average Daily Attendance

Year Ended June 30, 2018

---

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Classroom Based Attendance:				
Grades 9-12	<u>4,151.57</u>	<u>N/A</u>	<u>4,149.61</u>	<u>N/A</u>
Total Classroom Based Attendance	<u>4,151.57</u>	<u>N/A</u>	<u>4,149.61</u>	<u>N/A</u>
Non-Classroom Based Attendance:				
Grades 9-12	<u>402.55</u>	<u>N/A</u>	<u>399.97</u>	<u>N/A</u>
Total Non-Classroom Based Attendance	<u>402.55</u>	<u>N/A</u>	<u>399.97</u>	<u>N/A</u>
Total Attendance	<u><u>4,554.12</u></u>	<u><u>N/A</u></u>	<u><u>4,549.58</u></u>	<u><u>N/A</u></u>

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

**GRANADA HILLS CHARTER HIGH SCHOOL**

Schedule of Instructional Time

Year Ended June 30, 2018

---

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Grade 9	64,800	76,619	178	Complied
Grade 10	64,800	76,619	178	Complied
Grade 11	64,800	76,619	178	Complied
Grade 12	64,800	76,619	178	Complied

See accompanying notes to supplementary information

**GRANADA HILLS CHARTER HIGH SCHOOL**

Schedule of Financial Trends and Analysis

Year Ended June 30, 2018

	Budget				
	2019	2018	2017	2016	2015
Revenues	\$ 59,233,473	\$ 57,607,909	\$ 55,634,959	\$ 51,836,548	\$ 43,987,283
Expenses	58,814,521	55,206,185	56,648,295	51,297,268	44,325,024
Change in Net Assets	418,952	2,401,724	(1,013,336)	539,280	(337,741)
Ending Net Assets	\$ 19,043,601	\$ 18,624,649	\$ 16,222,925	\$ 17,236,261	\$ 16,696,981
Unrestricted Net Assets	\$ 13,774,745	\$ 13,130,581	\$ 15,804,122	\$ 17,002,942	\$ 16,850,039
Unrestricted net assets as a percentage of total expenses	23%	24%	28%	33%	38%
Total Long Term Debt	\$ 11,423,656	\$ 11,918,924	\$ 10,536,531	\$ 5,000,000	\$ 5,000,000
Average Daily Attendance at P2	4,562	4,554	4,538	4,336	4,267

The School's ending net assets has increased by \$1,927,668 (11.5%) over the past three fiscal years. The increase is due to the increase in average daily attendance of 287 (7%) over the past three years combined with a commitment to build reserves to protect the school from changes in economic trends in future years. The 2018-19 fiscal year budget projects an increase in net assets of \$418,952 (2.2%).

**GRANADA HILLS CHARTER HIGH SCHOOL**

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements  
Year Ended June 30, 2018

---

June 30, 2018 annual financial alternative form net assets	\$ 18,601,138
Adjustments and reclassifications:	
Understatement of accounts receivable	35,502
Understatement of bonds payable	<u>(11,991)</u>
Total adjustments and reclassifications	<u>23,511</u>
June 30, 2018 audited financial statement net assets	<u><u>\$ 18,624,649</u></u>

See accompanying notes to supplementary information

**GRANADA HILLS CHARTER HIGH SCHOOL**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>US DEPARTMENT OF EDUCATION</b>			
Passed through State Department of Education			
Title I	84.010	14329	\$ 857,676
Special Education	84.027	13379	893,992
Carl D. Perkins Career & Technical Ed.	84.048	14894	65,591
Workability	84.126	10006	61,195
21st Century - ASSETS	84.287	14535	250,718
Title II - Teacher Quality	84.367	14341	132,344
Total passed through State Department of Education			<u>2,261,516</u>
Total U.S. Department of Education			<u>2,261,516</u>
<b>US DEPARTMENT OF AGRICULTURE</b>			
Passed through State Department of Education			
School Breakfast Program	10.553	13525	449,761
National School Lunch Sec. 4	10.553	13523	124,089
National School Lunch Sec. 11	10.555	13396	667,340
Total Child Nutrition Cluster			<u>1,241,190</u>
Child and Adult Care Food Program	10.558	13666	39,036
Child Nutrition Equipment Assistance	10.579	14906	2,853
Total passed through State Department of Education			<u>1,283,079</u>
Total U.S. Department of Agriculture			<u>1,283,079</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through State Department of Education			
School-Based Medi-Cal Administrative Activities	93.778	10013	106,301
Total passed through State Department of Education			<u>106,301</u>
Total U.S. Department of Health and Human Services			<u>106,301</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,650,896</u></u>

See accompanying notes to supplementary information

## GRANADA HILLS CHARTER HIGH SCHOOL

### Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

---

#### 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 general purpose financial statements.

#### 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 4.24% 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*.

#### 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.

# GRANADA HILLS CHARTER HIGH SCHOOL

## Combining Consolidated Financial Position

June 30, 2018

	Granada Hills Charter High School	17081 Devonshire LLC	Elimination	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 14,764,100	\$ -	\$ -	\$ 14,764,100
Investments	3,927,033	764,838	-	4,691,871
Accounts receivable	1,575,892	-	-	1,575,892
Accounts receivable from related entity	323,315	-	(323,315)	-
Prepaid cost of issuance	-	328,733	-	328,733
Prepaid expenses	363,701	-	-	363,701
Inventory	76,515	-	-	76,515
<b>Total Current Assets</b>	<b>21,030,556</b>	<b>1,093,571</b>	<b>(323,315)</b>	<b>21,800,812</b>
<b>Noncurrent Assets</b>				
Capital assets, net	8,265,369	7,581,681	-	15,847,050
<b>Total Noncurrent Assets</b>	<b>8,265,369</b>	<b>7,581,681</b>	<b>-</b>	<b>15,847,050</b>
<b>TOTAL ASSETS</b>	<b>\$ 29,295,925</b>	<b>\$ 8,675,252</b>	<b>\$ (323,315)</b>	<b>\$ 37,647,862</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 848,309	\$ -	\$ -	\$ 848,309
Accounts payable to related entity	-	323,315	(323,315)	-
Accrued payroll	4,430,985	-	-	4,430,985
Accounts payable to student groups	189,384	-	-	189,384
Unearned revenue	970,618	-	-	970,618
Accrued vacation liability	211,215	-	-	211,215
Capital leases, current portion	373,778	-	-	373,778
Bonds payable, current portion	-	80,000	-	80,000
<b>Total Current Liabilities</b>	<b>7,024,289</b>	<b>403,315</b>	<b>(323,315)</b>	<b>7,104,289</b>
<b>Long Term Liabilities</b>				
Capital leases, less current portion	1,121,336	-	-	1,121,336
Bonds payable, less current portion	5,000,000	5,797,588	-	10,797,588
<b>Total Long Term Liabilities</b>	<b>6,121,336</b>	<b>5,797,588</b>	<b>-</b>	<b>11,918,924</b>
<b>Total Liabilities</b>	<b>13,145,625</b>	<b>6,200,903</b>	<b>(323,315)</b>	<b>19,023,213</b>
<b>Net Assets</b>				
Unrestricted	10,656,232	2,474,349	-	13,130,581
Temporarily restricted	5,494,068	-	-	5,494,068
<b>Total Net Assets</b>	<b>16,150,300</b>	<b>2,474,349</b>	<b>-</b>	<b>18,624,649</b>

See accompanying notes to supplementary information



# GRANADA HILLS CHARTER HIGH SCHOOL

## Combining Consolidated Statement of Activities

Year Ended June 30, 2018

	Granada Hills Charter High School		17081 Devonshire LLC		Elimination	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		
<b>REVENUE AND SUPPORT</b>						
<b>Revenue</b>						
LCFF state aid, current year	\$ 25,466,030	\$ -	\$ -	\$ -	\$ -	\$ 25,466,030
LCFF state aid, prior year	(1,758)	-	-	-	-	(1,758)
Education protection account funds	7,362,443	-	-	-	-	7,362,443
Payments in lieu of property taxes	11,093,125	-	-	-	-	11,093,125
Federal revenue	-	3,650,896	-	-	-	3,650,896
Other state revenue	1,648,387	2,199,498	-	-	-	3,847,885
Interest	477,828	-	5,239	-	-	483,067
Other local revenue	246,717	5,459,504	371,350	-	(371,350)	5,706,221
<b>Total Revenues</b>	<u>46,292,772</u>	<u>11,309,898</u>	<u>376,589</u>	<u>-</u>	<u>(371,350)</u>	<u>57,607,909</u>
Net assets released from restrictions:						
Grant restrictions satisfied	<u>6,234,633</u>	<u>(6,234,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>52,527,405</u>	<u>5,075,265</u>	<u>376,589</u>	<u>-</u>	<u>(371,350)</u>	<u>57,607,909</u>
<b>EXPENSES</b>						
Certificated salaries	21,676,705	-	-	-	-	21,676,705
Noncertificated salaries	7,437,037	-	-	-	-	7,437,037
Taxes and employee benefits	12,363,867	-	-	-	-	12,363,867
Books and supplies	4,302,877	-	-	-	-	4,302,877
Rentals, leases and repairs	1,647,429	-	-	-	(371,350)	1,276,079
Other operating expenditures	6,846,733	-	11,085	-	-	6,857,818
Debt service interest	110,651	-	220,607	-	-	331,258
Amortization expense	-	-	12,324	-	-	12,324
Depreciation expense	868,921	-	79,299	-	-	948,220
<b>TOTAL EXPENSES</b>	<u>55,254,220</u>	<u>-</u>	<u>323,315</u>	<u>-</u>	<u>(371,350)</u>	<u>55,206,185</u>
<b>CHANGE IN NET ASSETS</b>	(2,726,815)	5,075,265	53,274	-	-	2,401,724
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>13,383,047</u>	<u>418,803</u>	<u>2,421,075</u>	<u>-</u>	<u>-</u>	<u>16,222,925</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,656,232</u>	<u>\$ 5,494,068</u>	<u>\$ 2,474,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,624,649</u>

See accompanying notes to supplementary information

## GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Supplementary Information  
Year Ended June 30, 2018

---

### A. Purpose of Schedules

#### Organization Structure

This schedule provides information about the School's charter number, 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 School. 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

The School receives incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 School neither met nor exceeded its LCFF target.

#### Schedule of Financial Trends and Analysis

Budget information for 2019 is presented for analysis purposes only and is based on estimates of the 2018-19 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 Form to the net assets reported in the audited financial statements.

## Other Independent Auditors' Reports



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Mark Bomediano, CPA

Aubrey W. Mann, CPA  
Kevin A. Sproul, CPA

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 of  
Granada Hills Charter High School

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 High School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 7, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Granada Hills Charter High School'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 High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Granada Hills Charter High School'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 High School'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.

*Williamson Arvelly King & Co., LLP*

El Cajon, California  
December 7, 2018



P. Robert Wilkinson, CPA  
Brian K. Hadley, CPA  
Mark Bomediano, CPA

Aubrey W. Mann, CPA  
Kevin A. Sproul, CPA

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 Trustees of  
Granada Hills Charter High School

**Report on Compliance for Each Major Federal Program**

We have audited Granada Hills Charter High School'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 High School's major federal programs for the year ended June 30, 2018. Granada Hills Charter High School'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 High School'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 High 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Granada Hills Charter High School's compliance.

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

In our opinion, Granada Hills Charter High School 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, 2018.

## Report on Internal Control Over Compliance

Management of Granada Hills Charter High School 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 High School'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 High School'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 Andrew Atalley King & Co. LLP*

El Cajon, California  
December 7, 2018

## Independent Auditor's Report on State Compliance

To the Board of Directors  
Granada Hills Charter High School

### **Report on State Compliance**

We have audited the School's compliance with the types of compliance requirements described in the *2017-18 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, 2018.

### **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 *2017-18 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 *2017-18 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 the 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 district'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 the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance.....	N/A
Teacher Certification and Misassignments .....	N/A
Kindergarten Continuance.....	N/A
Independent Study.....	N/A
Continuation Education.....	N/A
Instructional Time .....	N/A
Instructional Materials.....	N/A
Ratio of Administrative Employees to Teachers .....	N/A
Classroom Teacher Salaries .....	N/A
Early Retirement Incentive.....	N/A
Gann Limit Calculation.....	N/A
School Accountability Report Card.....	N/A
Juvenile Court Schools.....	N/A
Middle or Early College High Schools .....	N/A
K-3 Grade Span Adjustment .....	N/A
Transportation Maintenance of Effort.....	N/A
Apprenticeship: Related and Supplemental Instruction .....	N/A
<b>School Districts, County Offices of Education and Charter Schools</b>	
Educator Effectiveness.....	Yes
California Clean Energy Jobs Act.....	Yes
After School Education and Safety Program.....	N/A
Proper Expenditure of Education Protection Account Funds.....	Yes
Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
Local Control and Accountability Plan .....	Yes
Independent Study – Course Based.....	N/A
<b>Charter Schools</b>	
Attendance.....	Yes
Mode of Instruction .....	Yes
Nonclassroom Based Instruction/Independent Study.....	Yes
Determination of Funding for Nonclassroom Based Instruction.....	N/A
Annual Instructional Minutes – Classroom Based .....	Yes
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 High School 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, 2018.

## **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 *2017-18 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 7, 2018

## Auditor's Results, Findings & Recommendations

**GRANADA HILLS CHARTER HIGH SCHOOL**

Schedule of Auditor's Results

Year Ended June 30, 2018

---

**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

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>
84.287	21st Century - ASSETS

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

Auditee qualified as low-risk auditee?   X   Yes      No

**STATE AWARDS**

Any audit findings disclosed that are required to be reported in accordance with *2017-18 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 HIGH SCHOOL**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

---

The following 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
50000	Federal Compliance
60000	Miscellaneous
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**A. Financial Statement Findings**

None

**B. Federal Award Findings**

None

**C. State Award Findings**

None

**GRANADA HILLS CHARTER HIGH SCHOOL**

Schedule of Prior Year Audit Findings

Year Ended June 30, 2018

---

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