



**Granada Hills
Charter #572**

County of Los Angeles
Granada Hills, California

Audit Report

June 30, 2020



Consolidated Financial Statements

GRANADA HILLS CHARTER
Consolidated Statement of Financial Position
June 30, 2020

Assets

Cash and cash equivalents	\$ 21,452,759
Operating investments	44,852,579
Accounts receivable	9,094,475
Inventory	24,274
Prepaid expenses	1,118,795
Prepaid cost of issuance	1,273,586
Property and equipment, net	36,560,546
Total Assets	\$ 114,377,014

Liabilities and Net Assets

Liabilities

Accounts payable - vendors	\$ 1,511,192
Accounts payable - cash overdraft	2,661,244
Accounts payable - grantor government	2,500,321
Accounts payable - student groups	298,275
Accrued expenses and other liabilities	4,515,504
Accrued vacation liability	345,794
Capital lease obligations	747,557
Bonds and notes payable	73,883,740
Total Liabilities	86,463,627

Net Assets

Without donor restrictions	
Undesignated	64,729,808
Invested in property and equipment, net of related debt	(38,070,751)
	26,659,057
With donor restrictions	
Restricted for federal programs	24,274
Restricted for state programs	181,828
Restricted for ASB programs	534,551
Restricted for other local programs	513,677
	1,254,330
Total Net Assets	27,913,387
Total Liabilities and Net Assets	\$ 114,377,014

The accompanying notes are an integral part of this statement.

GRANADA HILLS CHARTER
Statement of Consolidated Functional Expenses
Year Ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
	<u>Educational Programs</u>	<u>Management and General</u>	
Salaries and Wages	\$ 27,856,179	\$ 5,124,113	\$ 32,980,292
Pension expense	6,872,209	1,264,135	8,136,344
Other employee benefits	5,051,604	929,237	5,980,841
Payroll taxes	788,273	145,002	933,275
Fees for services:			
Legal	-	176,713	176,713
Other fees - Professional consulting	1,679,189	2,592,669	4,271,858
Other fees - District oversight	-	1,313,639	1,313,639
Advertising and promotion	-	4,463	4,463
Office expenses	31,210	-	31,210
Information technology	118,767	-	118,767
Occupancy	1,531,738	-	1,531,738
Travel	151,305	8,075	159,380
Debt service interest	-	1,178,481	1,178,481
Depreciation	1,056,964	-	1,056,964
Insurance	-	334,670	334,670
Other expenses:			
Books and supplies	3,419,507	-	3,419,507
Student events	139,935	-	139,935
Dues and memberships	-	95,320	95,320
Miscellaneous	-	331,718	331,718
Total expenses by function	<u>48,696,880</u>	<u>13,498,235</u>	<u>62,195,115</u>

The accompanying notes are an integral part of this statement.

GRANADA HILLS CHARTER
Statement of Consolidated Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 43,449,427
Receipts from property taxes	14,900,939
Other cash receipts	1,034,424
Payments for salaries, benefits and payroll taxes	(50,529,646)
Payments to vendors	(7,929,251)
Net Cash Used For Operating Activities	<u>925,893</u>
Cash Flows from Investing Activities	
Purchases of operating investments	(35,452,742)
Purchases of property and equipment	(20,578,507)
Net Cash From Investing Activities	<u>(56,031,249)</u>
Cash Flows from Financing Activities	
Proceeds from issuance of bonds	54,796,980
Proceeds from Paycheck Protection Program	8,377,100
Principal payments on bonds, notes and capital leases	(459,106)
Interest paid	(1,178,481)
Net Cash from Financing Activities	<u>61,536,493</u>
Net Change in Cash and Cash Equivalents	6,431,137
Cash and Cash Equivalents, Beginning of Year	<u>15,021,622</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,452,759</u>
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	\$ 5,527,027
Depreciation	1,056,964
Interest paid	1,178,481
Adjustments to reconcile change in net assets to net cash:	
(Increase) Decrease in assets	
Accounts receivable	(7,189,673)
Prepaid expenses	(812,268)
Other assets cost of issuance	(941,976)
Increase (Decrease) in liabilities	
Accounts payable vendors	(1,039,978)
Accrued expenses and other liabilities	(2,624,641)
Accounts payable to related entity	2,500,321
Accounts payable grantor government	(278,948)
Accounts payable student groups	4,293,568
Accrued vacation liability	125,747
Unearned revenue	(868,731)
Net Cash Used For Operating Activities	<u>\$ 925,893</u>

The accompanying notes are an integral part of this statement.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements
Year Ended June 30, 2020

A. Principal Activity and Summary of 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 three additional five-year terms in 2009, 2014 and 2019. The current charter agreement runs through June 30, 2024.

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 LLC) was formed in February 2017, as a California limited liability company, whose sole member is Granada Hills Charter. The LLC holds the title for the buildings that are utilized by Granada Hill Charter School.

Basis of Accounting

The consolidated 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 consolidated financial statements include the accounts of Granada Hills Charter (the School) and the accounts of 17081 Devonshire LLC (the LLC), 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.

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 Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Inventory

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption.

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 consolidated statement 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 consolidated 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, 2020.

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 consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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 Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

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, 2020 there were no conditional contributions, federal, state and local contracts recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and developing activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising

Advertising costs are expensed as incurred and approximated \$4,463 during the year ended June 30, 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The statement of consolidated functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program 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, 2020, 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 consolidated financial statements related to uncertain tax positions for the year ended June 30, 2020.

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.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Estimates

The preparation of consolidated 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 consolidated 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 contributions 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 board of directors for the School. Although 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 School.

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 schools' 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 76.73% of the School's revenue.

The School is not at risk of losing these funding sources, as long as the schools maintain a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

New Accounting Guidance

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

1. FASB ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*
2. FASB ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*
3. FASB ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*
4. FASB ASU 2016-04 *Liabilities – Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the Emerging Issues Task Force).*
5. FASB ASU 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net).*
6. FASB ASU 2016-10 *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.*
7. FASB ASU 2016-12 *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.*

GRANADA HILLS CHARTER

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2020

8. FASB ASU 2016-15 *Statement of Consolidated cash flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force).
9. FASB ASU 2016-16 *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*
10. FASB ASU 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*.
11. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
12. FASB ASU 2017-05 *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*.
13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.
14. FASB ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.
15. FASB ASU 2018-09 *Codification Improvements*
16. FASB ASU 2020-04 *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.
17. FASB ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*.

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 did not impact the financial accounting or presentation for the School.

Subsequent Events

In preparing these consolidated financial statements, the School has evaluated events and transactions for potential recognition or disclosure through March 24, 2021, the date the consolidated 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 consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 21,452,759
Operating investments	44,852,579
Accounts receivable	9,094,475
Inventory	24,274
	<hr/>
	\$ 75,424,087

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

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:

- 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.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Treasury and Operating investments:				
Cash in county treasury	\$ 7,456,067	\$ -	\$ 7,456,067	\$ -
Money market and equivalent funds (at cost)	44,852,579	44,852,579	-	-
by community foundation	<u>\$ 52,308,646</u>	<u>\$ 44,852,579</u>	<u>\$ 7,456,067</u>	<u>\$ -</u>

D. Cash and Investments

Cash and investments at June 30, 2020 consisted of the following:

Cash in county treasury	\$ 7,456,067
Cash in bank accounts	13,996,692
Investments	<u>44,852,579</u>
Total cash and investments	<u>\$ 66,305,338</u>

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 (\$7,456,067 as of June 30, 2020). 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 consolidated 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 and Investments

The School maintains a portion of their funds in short term investments, money market funds and mutual funds (\$44,852,579 as of June 30, 2020). 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.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Cash in Bank

The remainder of the School's cash (\$11,335,448 as of June 30, 2020) 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, 2020, the School held \$14,638,884 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.

E. Accounts Receivable

As of June 30, 2020, accounts receivable consisted of the following:

Federal Government		
Child Nutrition	\$	201,291
Title IV		178,125
Facilities Grant		998,556
Other Federal Programs		78,666
State Government		
Special Education		80,024
LCFF Revenue		5,661,054
Lottery Funding		235,847
Other State Programs		64,870
Local Government		
Property tax payments		1,506,186
Other Local Sources		
ASB Transactions		13,924
Other local sources		75,932
Total Accounts Receivable	\$	9,094,475

F. Prepaid Expenses

As of June 30, 2020, prepaid expenses consisted of the following:

Service contracts	\$	454,748
Insurance		514,638
Software and licenses		149,409
Total Prepaid Expenses	\$	1,118,795

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

G. Property and Equipment

Property and equipment for Granada Hills Charter consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 527,402	\$ -	\$ -	\$ 527,402
Work in Progress	75,887	-	65,387	10,500
Total Non-Depreciable Capital Assets	<u>603,289</u>	<u>-</u>	<u>65,387</u>	<u>537,902</u>
Depreciable Capital Assets				
Leasehold Improvements	2,256,968	-	-	2,256,968
Buildings and Improvements	6,194,296	2,447,200	-	8,641,496
Equipment, Furniture, and Fixtures	3,746,789	24,924	-	3,771,713
Total Depreciable Capital Assets	<u>12,198,053</u>	<u>2,472,124</u>	<u>-</u>	<u>14,670,177</u>
Total Capital Assets	12,801,342	2,472,124	65,387	15,208,079
Less Accumulated Depreciation	<u>(4,886,626)</u>	<u>(986,295)</u>	<u>-</u>	<u>(5,872,921)</u>
Capital Assets, Net	<u>7,914,716</u>	<u>1,485,829</u>	<u>65,387</u>	<u>9,335,158</u>

Property and equipment for 17081 Devonshire LLC consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 5,575,000	\$ -	\$ -	\$ 5,575,000
Work in Progress	1,819,687	18,171,769	-	19,991,456
Total Non-Depreciable Capital Assets	<u>7,394,687</u>	<u>18,171,769</u>	<u>-</u>	<u>25,566,456</u>
Depreciable Capital Assets				
Buildings and Improvements	1,990,716	-	-	1,990,716
Equipment, Furniture, and Fixtures	21,568	-	-	21,568
Total Depreciable Capital Assets	<u>2,012,284</u>	<u>-</u>	<u>-</u>	<u>2,012,284</u>
Total Capital Assets	9,406,971	18,171,769	-	27,578,740
Less Accumulated Depreciation	<u>(282,684)</u>	<u>(70,669)</u>	<u>-</u>	<u>(353,353)</u>
Capital Assets, Net	<u>9,124,287</u>	<u>18,101,100</u>	<u>-</u>	<u>27,225,387</u>

Consolidated Property and equipment consisted of the following at June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Land	\$ 6,102,402	\$ -	\$ -	\$ 6,102,402
Work in Progress	1,895,574	18,171,769	65,387	20,001,956
Total Non-Depreciable Capital Assets	<u>7,997,976</u>	<u>18,171,769</u>	<u>65,387</u>	<u>26,104,358</u>
Depreciable Capital Assets				
Leasehold Improvements	2,256,968	-	-	2,256,968
Buildings and Improvements	8,185,012	2,447,200	-	10,632,212
Equipment, Furniture, and Fixtures	3,768,357	24,924	-	3,793,281
Total Depreciable Capital Assets	<u>14,210,337</u>	<u>2,472,124</u>	<u>-</u>	<u>16,682,461</u>
Total Capital Assets	22,208,313	20,643,893	65,387	42,786,819
Less Accumulated Depreciation	<u>(5,169,310)</u>	<u>(1,056,964)</u>	<u>-</u>	<u>(6,226,274)</u>
Capital Assets, Net	<u>17,039,003</u>	<u>19,586,929</u>	<u>65,387</u>	<u>36,560,545</u>

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

H. Bonds Payable

In October 2010, the LLC 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.

On September 24, 2019, 17081 Devonshire LLC, whose sole member is the School, entered into a loan agreement with the California School Finance Authority for the issuance of \$47,845,000 Series 2019 Tax-Exempt School Facility Revenue 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 2019 CSFA Bonds were sold at an original issue premium of \$6,951,981 with issuance costs of \$941,792 to be amortized over the life of the debt. Interest is payable semiannually on January 1 and July 1, commencing July 1, 2020.

Bonds payable consist of the following at June 30, 2020:

Principal amount	\$	58,470,000
Unamortized premium and discounts		7,036,640
		\$ 65,506,640

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Future maturities of bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 5,090,000	\$ 2,084,430	\$ 7,174,430
2022	95,000	2,619,476	2,714,476
2023	100,000	2,614,250	2,714,250
2024	740,000	2,609,150	3,349,150
2025	770,000	2,578,500	3,348,500
2026-2030	4,350,000	12,387,350	16,737,350
2031-2035	5,420,000	11,316,000	16,736,000
2036-2040	6,935,000	9,816,500	16,751,500
2041-2045	8,840,000	7,901,500	16,741,500
2046-2050	10,910,000	5,459,500	16,369,500
2051-2055	15,220,000	2,640,500	17,860,500
	<u>\$58,470,000</u>	<u>\$62,027,156</u>	<u>\$120,497,156</u>

I. Notes Payable

On April 17, 2020 Granada Hills Charter was approved for \$8,377,100 in Paycheck Protection Program (PPP) Loan from the Small Business Administration. The PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The School intends to use the proceeds for purposes consistent with the PPP. While the School currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there is not a guarantee that the School will not take actions that could cause the School to be ineligible for forgiveness of the loan, in whole or in part.

J. 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. The facility is also capitalized on the LLC's books already. As such, the lease has not been recorded on the consolidated statement of financial position. The current agreements provides for monthly payments through the final fiscal year of corresponding bond payments.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases</u>
2021	\$ 1,543,398
2022	2,714,244
2023	3,349,152
2024	3,348,498
2025	3,346,602
2026-2030	16,737,000
2031-2035	16,740,000
2036-2040	16,749,750
2041-2045	16,739,499
2046-2050	15,999,000
2051-2055	14,884,500
Total minimum lease payments	<u>\$ 112,151,642</u>

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 consolidated 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 with an effective interest rate of 8.85%.

Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Capital Leases</u>
2021	415,269
2022	415,269
Total minimum lease payments	<u>830,538</u>
Less amount representing interest	<u>(82,980)</u>
Capital lease obligation	<u>\$ 747,558</u>

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

K. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

Restricted for other federal programs	
Child Nutrition program	\$ 24,274
Restricted for other state programs	
Educational Programs	71,363
Capital Projects	68,646
SB 117 Covid Response Funds	41,819
Restricted for ASB programs	
Associated Student Body Funds	534,551
Restricted for other local programs	
Other Local Restricted	513,677
	1,254,330
Total net assets with donor restrictions	\$ 1,254,330

L. 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:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. 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, 2020, 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 2020, 2019 and 2018 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.

GRANADA HILLS CHARTER

Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Period to Period Comparability:

Granada Hills Charter increased in CalSTRS contributions from 2018 to 2019 by 18.01% followed by an increase in 2020 of 7.81%. Granada Hills Charter increased in CalPERS contributions from 2018 to 2019 by 20.7% followed by an increase in 2019 of 10.30%. The increases in 2019 and 2020 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
		2020	2019	2018	Pending/ Implemented
CalSTRS	19746	Yellow	Yellow	Yellow	No
CalPERS	7340355290	Yellow	Yellow	Yellow	No

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2020	2019	2018		
CalSTRS	\$ 3,584,803	\$ 3,325,165	\$ 2,817,705	240	No
CalPERS	1,339,045	1,214,022	1,005,805	133	No
Total	<u>\$ 4,923,848</u>	<u>\$ 4,539,187</u>	<u>\$ 3,823,510</u>	<u>373</u>	

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, 2020, 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 17.10% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes consolidated financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2020 the State contributed \$4,069,634 (10.238% of certificated salaries plus an additional supplemental amount) 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 consolidated 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.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

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 2019-20 was 19.721% of classified salaries. The School made contributions as noted above.

M. 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.

N. 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 2019-20 fiscal year:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Granada Hills Charter	17081 Devonshire LLC	\$ 372,248	Rent and Interest

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

O. Rental Income

The School handles rentals and various facility usage throughout the year. These rentals are recorded as local revenue and are approved by appropriate management before occurred. For the year ended June 30, 2020 the total rental income from events and facility usage was \$326,811.

P. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective over the next few fiscal years:

1. FASB ASU 2016-02 *Leases (Topic 842)* – Effective Fiscal Year Ending June 30, 2022
2. FASB ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* – Effective Fiscal Year Ending June 30, 2024
3. FASB ASU 2017-04 *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* – Effective Fiscal Year Ending June 30, 2024
4. FASB ASU 2017-08 *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* – Effective Fiscal Year Ending June 30, 2021
5. FASB ASU 2017-11 *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope exception.* – Effective Fiscal Year Ending June 30, 2021
6. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* – Effective Fiscal Year Ending June 30, 2022
7. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842* – Effective Fiscal Year Ending June 30, 2022
8. FASB ASU 2018-07 *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting.* – Effective Fiscal Year Ending June 30, 2021.
9. FASB ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* – Effective Fiscal Year Ending June 30, 2021
10. FASB ASU 2018-10 *Codification Improvements to Topic 842, Leases* – Effective Fiscal Year Ending June 30, 2022
11. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements* – Effective Fiscal Year Ending June 30, 2022
12. FASB ASU 2018-12 *Financial Service – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* – Effective Fiscal Year Ending June 30, 2025
13. FASB ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* – Effective Fiscal Year Ending June 30, 2021
14. FASB ASU 2018-14 *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* – Effective Fiscal Year Ending June 30, 2023
15. FASB ASU 2018-15 *Intangibles – Goodwill and Other – Internal Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)* – Effective Fiscal Year Ending June 30, 2022
16. 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* – Effective Fiscal Year Ending June 30, 2022

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

17. FASB ASU 2018-17 *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* – Effective Fiscal Year Ending June 30, 2021
18. FASB ASU 2018-18 *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* – Effective Fiscal Year Ending June 30, 2022
19. FASB ASU 2019-20 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
20. FASB ASU 2018-20 *Leases (Topic 842): Narrow Scope Improvements for Lessors* – Effective Fiscal Year Ending June 30, 2022
21. FASB ASU 2019-01 *Leases (Topic 842): Codification Improvements* – Effective Fiscal Year Ending June 30, 2022.
22. FASB ASU 2019-02 *Entertainment – Films – Other Assets – Film Costs (Subtopic 926-20) and Entertainment – Broadcasters – Intangibles – Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Emerging Issues Task Force* – Effective Fiscal Year Ending June 30, 2022
23. FASB ASU 2019-03 *Not-For-Profit Entities (Topic 958): Updating the Definition of Collections* – Effective Fiscal Year Ending June 30, 2021
24. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* – Effective Fiscal Year Ending June 30, 2021
25. FASB ASU 2019-05 *Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief* – Effective Fiscal Year Ending June 30, 2021
26. FASB ASU 2019-08 *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements – Share Based Consideration Payable to a Customer* – Effective Fiscal Year Ending June 30, 2021
27. FASB ASU 2019-09 *Financial Services – Insurance (Topic 944): Effective Date* – Effective Fiscal Year Ending June 30, 2025
28. FASB ASU 2019-10 *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* - Effective Fiscal Years Ending June 30, 2022 and June 30, 2024
29. FASB ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* – Effective Fiscal Year Ending June 30, 2024
30. FASB ASU 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* – Effective Fiscal Year Ending June 30, 2024
31. FASB ASU 2020-01 *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force).* – Effective Fiscal Year Ending June 30, 2022
32. FASB ASU 2020-03 *Codification Improvements to Financial Instruments* – Effective Fiscal Years Ending June 30, 2021 and June 30, 2024

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 future fiscal years are not expected to impact the financial accounting or presentation for the School.

GRANADA HILLS CHARTER
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2020

Q. COVID-19 Impact and Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Granada Hills Charter School from March 16, 2020 and continuing into the Fall of 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses can be re-opened. At this point in time the Granada Hills Charter School campuses remain closed until Los Angeles County meets the benchmark requirements.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. The Granada Hills Charter School has established a re-opening plan that they believe will provide a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California schools are eligible for these funds. Due to timing of the grant disbursements, the Granada Hills Charter School did not expend any of the funds in the 2019-20 fiscal year. The funds remain available for the 2020-21 fiscal year. Additionally, for the 2019-20 fiscal year, the state placed all charter schools in a hold harmless state shifting attendance reporting periods to a point prior to the pandemic to prevent sudden losses of attendance from impacting funding for the 2019-20 fiscal year. Finally, funding for the 2020-21 fiscal year is frozen at amounts provided in 2019-20 for all California charter schools, with adjustments based on the Governor's budget. The School has established their 2020-21 budget with this in consideration.

Supplementary Information

GRANADA HILLS CHARTER
Consolidating Statement of Financial Position
Year Ended June 30, 2020

	Granada Hills Charter	17081 Devonshire LLC	Elimination	Total
Assets				
Cash and cash equivalents	\$ 21,452,759	\$ -	\$ -	\$ 21,452,759
Operating investments	7,769,855	37,082,724	-	44,852,579
Accounts receivable	9,094,475	-	-	9,094,475
Inventory	24,274	-	-	24,274
Prepaid expenses	1,118,795	-	-	1,118,795
Prepaid cost of issuance	-	1,273,586	-	1,273,586
Property and equipment, net	9,335,158	27,225,388	-	36,560,546
Total Assets	<u>\$ 48,795,316</u>	<u>\$ 65,581,698</u>	<u>\$ -</u>	<u>\$ 114,377,014</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable - vendors	\$ 1,421,924	\$ 89,268	\$ -	\$ 1,511,192
Accounts payable - cash overdraft	-	2,661,244	-	2,661,244
Accounts payable - grantor government	2,500,321	-	-	2,500,321
Accounts payable - student groups	298,275	-	-	298,275
Accrued expenses and other liabilities	4,515,504	-	-	4,515,504
Accrued vacation liability	345,794	-	-	345,794
Capital lease obligations	747,557	-	-	747,557
Bonds and notes payable	13,377,100	60,506,640	-	73,883,740
Total Liabilities	<u>23,206,475</u>	<u>63,257,152</u>	<u>-</u>	<u>86,463,627</u>
Net Assets				
Without donor restrictions				
Undesignated	29,124,010	35,605,798	-	64,729,808
Invested in property and equipment, net of related debt	(4,789,499)	(33,281,252)	-	(38,070,751)
	<u>24,334,511</u>	<u>2,324,546</u>	<u>-</u>	<u>26,659,057</u>
With donor restrictions				
Restricted for federal programs	24,274	-	-	24,274
Restricted for state programs	181,828	-	-	181,828
Restricted for ASB programs	534,551	-	-	534,551
Restricted for other local programs	513,677	-	-	513,677
	<u>1,254,330</u>	<u>-</u>	<u>-</u>	<u>1,254,330</u>
Total Net Assets	<u>25,588,841</u>	<u>2,324,546</u>	<u>-</u>	<u>27,913,387</u>
Total Liabilities and Net Assets	<u>\$ 48,795,316</u>	<u>\$ 65,581,698</u>	<u>\$ -</u>	<u>\$ 114,377,014</u>

GRANADA HILLS CHARTER
Consolidating Statement of Activities
Year Ended June 30, 2020

	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	\$ 31,889,365	\$ -	\$ -	\$ -	\$ 31,889,365
Education protection account state aid	4,922,933	-	-	-	4,922,933
Transfers in lieu of property taxes	14,900,939	-	-	-	14,900,939
Total LCFF sources	<u>51,713,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,713,237</u>
Federal contracts and grants	-	4,458,281	-	-	4,458,281
State contracts and grants	5,153,633	-	-	-	5,153,633
Local contracts and grants	5,362,567	-	-	-	5,362,567
Net investment return	(66,166)	-	-	-	(66,166)
Rental income	326,811	-	372,248	(372,248)	326,811
Interest income	448,360	-	325,419	-	773,779
Net assets released from restriction -					
Grant restrictions satisfied	3,857,786	(3,857,786)	-	-	-
Total revenue, support, and gains	<u>66,796,228</u>	<u>600,495</u>	<u>697,667</u>	<u>(372,248)</u>	<u>67,722,142</u>
Expenses and Losses					
Program services expense	48,998,459	-	70,669	(372,248)	48,696,880
Supporting services expense	12,582,543	-	915,692	-	13,498,235
Total expenses and losses	<u>61,581,002</u>	<u>-</u>	<u>986,361</u>	<u>(372,248)</u>	<u>62,195,115</u>
Change in Net Assets	5,215,226	600,495	(288,694)		5,527,027
Net Assets, Beginning of Year	19,119,285	653,835	2,613,240	-	22,386,360
Net Assets, End of Year	<u>\$ 24,334,511</u>	<u>\$ 1,254,330</u>	<u>\$ 2,324,546</u>	<u>\$ -</u>	<u>\$ 27,913,387</u>

GRANADA HILLS CHARTER
Consolidating Statement of Functional Expenses
Year Ended June 30, 2020

	<u>Granada Hills Charter</u>		<u>17081 Devonshire LLC</u>		<u>Total</u>
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Program Services</u>	<u>Supporting Services</u>	
	Educational Programs	Management and General	Facility Leasing	Management and General	
Salaries and Wages	\$ 27,856,179	\$ 5,124,113	\$ -	\$ -	\$ 32,980,292
Pension expense	6,872,209	1,264,135	-	-	8,136,344
Other employee benefits	5,051,604	929,237	-	-	5,980,841
Payroll taxes	788,273	145,002	-	-	933,275
Fees for services:					
Legal	-	176,713	-	-	176,713
Professional consulting	1,679,189	2,592,669	-	-	4,271,858
District oversight	-	1,313,639	-	-	1,313,639
Advertising and promotion	-	4,463	-	-	4,463
Office expenses	31,210	-	-	-	31,210
Information technology	118,767	-	-	-	118,767
Occupancy	1,531,738	-	-	-	1,531,738
Travel	151,305	8,075	-	-	159,380
Debt service interest	-	262,789	-	915,692	1,178,481
Depreciation	986,295	-	70,669	-	1,056,964
Insurance	-	334,670	-	-	334,670
Other expenses:					
Books and supplies	3,419,507	-	-	-	3,419,507
Student events	139,935	-	-	-	139,935
Dues and memberships	-	95,320	-	-	95,320
Miscellaneous	-	331,718	-	-	331,718
Total expenses by function	<u>48,626,211</u>	<u>12,582,543</u>	<u>70,669</u>	<u>915,692</u>	<u>62,195,115</u>

GRANADA HILLS CHARTER

Organization Structure
Year Ended June 30, 2020

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. In September 2018, the School was renewed for a five-year period ending June 30, 2024.

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 2020
Lorene Dixon	Member	Two Year Term Expires December 2021
Joan Lewis	Member	Two Year Term Expires December 2020
Jody Dunlap	Member	Two Year Term Expires December 2021
Supriya Chakravarty	Member	Two Year Term Expires December 2021
Christine Hutton	Member	Two Year Term Expires December 2020
Maribel Campos	Member	Two Year Term Expires December 2021

ADMINISTRATION

Brian Bauer
Executive Director

Erin Lillibridge
Chief Business and Operations Officer

Lisa Nilles
Chief Financial Officer

GRANADA HILLS CHARTER

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	Minutes Requirement	2019-20 Actual Minutes	2019-20 COVID-19 Closure Minutes	2019-20 Total Instructional Minutes	2019-20 Actual School Days	2019-20 COVID-19 Closure Days	2019-20 Total School Days	Status
Transitional Kindergarten	36,000	39,370	16,865	56,235	127	53	180	Complied
Kindergarten	36,000	39,370	16,865	56,235	127	53	180	Complied
1st Grade	50,400	39,370	16,865	56,235	127	53	180	Complied
2nd Grade	50,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3rd Grade	50,400	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4th Grade	54,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5th Grade	54,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6th Grade	54,000	44,935	19,270	64,205	127	53	180	Complied
7th Grade	54,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8th Grade	54,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9th Grade	64,800	51,513	21,409	72,922	124	56	180	Complied
10th Grade	64,800	51,513	21,409	72,922	124	56	180	Complied
11th Grade	64,800	51,513	21,409	72,922	124	56	180	Complied
12th Grade	64,800	51,000	20,642	71,642	124	56	180	Complied

N/A – The school did not operate these grades during the 2019-20 year.

Due to COVID-19 the District closed campus on March 16, 2020 through the end of the school year. Distance learning was provided to students for school days during the closure. This schedule has been reflected based on the original approved calendar and instructional time planned by the District for the 2019-20 fiscal year.

GRANADA HILLS CHARTER
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	Budget 2021	2020	2019	2018
Revenues	\$ 68,398,923	\$ 67,722,142	\$ 60,180,891	\$ 57,607,909
Expenses	69,053,212	62,195,115	56,419,788	55,206,185
Change in Net Assets	<u>(654,289)</u>	<u>5,527,027</u>	<u>3,761,103</u>	<u>2,401,724</u>
Ending Net Assets	<u>\$ 27,259,098</u>	<u>\$ 27,913,387</u>	<u>\$ 22,386,360</u>	<u>\$ 18,624,649</u>
Unrestricted Net Assets	<u>\$ 25,948,433</u>	<u>\$ 26,659,057</u>	<u>\$ 21,732,525</u>	<u>\$ 13,130,581</u>
Unrestricted net assets as a percentage of total expenses	<u>37.58%</u>	<u>42.86%</u>	<u>38.52%</u>	<u>23.78%</u>
Total Long Term Debt	<u>\$ 69,125,576</u>	<u>\$ 74,631,297</u>	<u>\$ 11,916,323</u>	<u>\$ 11,918,924</u>
ADA at P2	<u>5,195</u>	<u>4,948</u>	<u>4,490</u>	<u>4,554</u>

The School's ending net assets has increased by \$9,288,130 (49.87%) over the past two fiscal years. The significant increase is in large due to an increase in ADA and revenue per ADA while maintaining efficiencies in cost. The average daily attendance (ADA) reported by the School has increased by 394 (8.65%) over the past two years. The 2020-21 fiscal year budget projects a decrease in net assets of \$654,289 (2.34%) and an increase in ADA of 247 (4.99%).

Granada Hills Charter

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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 consolidated 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 5.12% 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*. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the School:

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

Personal Protection Equipment (PPE)

The School was not provided PPE during the 2019-20 year as part of the CARES act. PPE donated will be recorded at fair market value.

Auditor's Results, Findings & Recommendations

GRANADA HILLS CHARTER

Schedule of Auditor's Results

Year Ended June 30, 2020

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 2020 with
December 2020 Addendum

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>
84.282D	Facilities Incentive Grant
10.553 & 10.555	Child Nutrition Cluster

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 *2019-20 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, 2020

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the consolidated 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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2019-20 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

None

B. Federal Award Findings

None

C. State Award Findings

None

GRANADA HILLS CHARTER
Schedule of Prior Year Audit Findings
Year Ended June 30, 2020

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