



FENTON CHARTER PUBLIC SCHOOLS

**CONSOLIDATED
AUDIT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2020**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOLS**

Fenton Avenue Charter (Charter No. 0030)
Fenton Primary Center (Charter No. 0911)
Santa Monica Boulevard Community Charter (Charter No. 0446)
Fenton Charter Leadership Academy (Charter No. 1613)
Fenton STEM Academy (Charter No. 1605)

AND CONSOLIDATED WITH

SFV Education (SFV Fenton Facilities LLC)

FENTON CHARTER PUBLIC SCHOOLS
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JUNE 30, 2020

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FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fenton Charter Public Schools
Sun Valley, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fenton Charter Public Schools (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Fenton Charter Public Schools as of June 30, 2020, 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.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Fenton Charter Public Schools taken as a whole. The supplementary information listed in the table of contents, including the 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 basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 February 19, 2021, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
February 19, 2021

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	Fenton Charter Public Schools	SFV Education	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,208,911	\$ 11,933,052	\$ -	\$ 25,141,963
Investments	1,655,590	-	-	1,655,590
Accounts receivable	4,826,342	-	-	4,826,342
Prepaid expenses	1,164,189	76,500	(165,878)	1,074,811
Intercompany receivable, current portion	487,068	-	(487,068)	-
Total current assets	<u>21,342,100</u>	<u>12,009,552</u>	<u>(652,946)</u>	<u>32,698,706</u>
Noncurrent assets				
Deposits	82,560	10,000	(10,000)	82,560
Prepaid rent	1,245,612	-	(1,245,612)	-
Intercompany receivable, less current portion	1,918,195	-	(1,918,195)	-
Capital assets, net	7,194,238	18,256,012	-	25,450,250
Total noncurrent assets	<u>10,440,605</u>	<u>18,266,012</u>	<u>(3,173,807)</u>	<u>25,532,810</u>
Total Assets	<u>\$ 31,782,705</u>	<u>\$ 30,275,564</u>	<u>\$ (3,826,753)</u>	<u>\$ 58,231,516</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 2,792,012	\$ -	\$ -	\$ 2,792,012
Intercompany payable, current portion	-	343,269	(343,269)	-
Deferred revenue	-	165,878	(165,878)	-
Total current liabilities	<u>2,792,012</u>	<u>509,147</u>	<u>(509,147)</u>	<u>2,792,012</u>
Long-term liabilities				
Intercompany payable, less current portion	-	1,918,195	(1,918,195)	-
Deferred rent liability	-	1,728,651	(1,399,411)	329,240
Defined benefit plan liability, net	6,474,757	-	-	6,474,757
Bonded debt, net of unamortized costs	-	23,399,115	-	23,399,115
Total long-term liabilities	<u>6,474,757</u>	<u>27,045,961</u>	<u>(3,317,606)</u>	<u>30,203,112</u>
Total liabilities	<u>9,266,769</u>	<u>27,555,108</u>	<u>(3,826,753)</u>	<u>32,995,124</u>
Net assets				
Without donor restrictions	21,630,871	2,720,456	-	24,351,327
With donor restrictions	885,065	-	-	885,065
Total net assets	<u>22,515,936</u>	<u>2,720,456</u>	<u>-</u>	<u>25,236,392</u>
Total Liabilities and Net Assets	<u>\$ 31,782,705</u>	<u>\$ 30,275,564</u>	<u>\$ (3,826,753)</u>	<u>\$ 58,231,516</u>

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

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Fenton Public Charter Schools			SFV Education		Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	
SUPPORT AND REVENUES						
Federal and state support and revenues						
Local control funding formula, state aid	\$ 22,240,192	\$ -	\$ 22,240,192	\$ -	\$ -	\$ 22,240,192
Federal revenues	3,661,234	2,139,887	5,801,121	-	-	5,801,121
Other state revenues	6,261,706	-	6,261,706	-	-	6,261,706
Total federal and state support and revenues	32,163,132	2,139,887	34,303,019	-	-	34,303,019
Local support and revenues						
Payments in lieu of property taxes	8,055,113	-	8,055,113	-	-	8,055,113
Investment income, net	252,047	-	252,047	14,453	-	266,500
Cancellation of debt	-	-	-	3,700,499	-	3,700,499
Other local revenues	892,394	-	892,394	1,883,203	(1,893,203)	882,394
Total local support and revenues	9,199,554	-	9,199,554	5,598,155	(1,893,203)	12,904,506
Donor restrictions satisfied	2,230,544	(2,230,544)	-	-	-	-
Total Support and Revenues	43,593,230	(90,657)	43,502,573	5,598,155	(1,893,203)	47,207,525
EXPENSES						
Program services	37,211,123	-	37,211,123	2,032,562	-	39,243,685
Management and general	4,953,793	-	4,953,793	112,973	(1,893,203)	3,173,563
Total Expenses	42,164,916	-	42,164,916	2,145,535	(1,893,203)	42,417,248
CHANGE IN NET ASSETS	1,428,314	(90,657)	1,337,657	3,452,620	-	4,790,277
Net Assets - Beginning	20,202,557	975,722	21,178,279	(732,164)	-	20,446,115
Net Assets - Ending	\$ 21,630,871	\$ 885,065	\$ 22,515,936	\$ 2,720,456	\$ -	\$ 25,236,392

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

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 12,916,387	\$ 331,649	\$ 13,248,036
Noncertificated salaries	6,370,857	-	6,370,857
Deferred compensation	4,562,341	78,865	4,641,206
Payroll taxes	748,138	17,076	765,214
Other employee benefits	4,249,670	88,183	4,337,853
Total personnel expenses	28,847,393	515,773	29,363,166
Non-personnel expenses			
Books and supplies	3,919,364	43,428	3,962,792
Insurance	17,989	221,627	239,616
Facilities	2,064,135	407,833	2,471,968
Professional services	2,600,391	477,438	3,077,829
Depreciation	514,743	961,922	1,476,665
Payments to authorizing agency	451,210	302,995	754,205
Other operating expenses	828,460	242,547	1,071,007
Total non-personnel expenses	10,396,292	2,657,790	13,054,082
Total Expenses	\$ 39,243,685	\$ 3,173,563	\$ 42,417,248

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

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Fenton Charter Public Schools	SFV Education	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 1,337,657	\$ 3,452,620	\$ -	\$ 4,790,277
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Unrealized gains on investments	(64,633)	-	-	(64,633)
Cancellation of debt	-	(3,700,499)	-	(3,700,499)
Interest expense for amortization of debt issuance charges	-	33,411	-	33,411
Depreciation	961,922	514,743	-	1,476,665
(Increase) decrease in operating assets				
Accounts receivable	(2,012,306)	8,166	-	(2,004,140)
Prepaid expenses and rent	(673,636)	(26,556)	33,046	(667,146)
Intercompany receivable, current portion	(487,068)	-	487,068	-
Deposits	28,940	(10,000)	10,000	28,940
Increase (decrease) in operating liabilities				
Accounts payable	145,053	(6,990)	-	138,063
Intercompany payable, current portion	-	343,269	(343,269)	-
Defined benefit plan liability, net	241,997	-	-	241,997
Deferred rent liability	-	1,728,651	(1,399,411)	329,240
Deferred revenue	-	34,378	(34,378)	-
Net cash provided by (used in) operating activities	(522,074)	2,371,193	(1,246,944)	602,175
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of securities	338,883	-	-	338,883
Reinvestment of dividends and interest	(33,683)	-	-	(33,683)
Purchases of investment securities	(350,000)	-	-	(350,000)
Purchases of capital assets	(859,856)	(341,340)	-	(1,201,196)
Net cash provided by (used in) investing activities	(904,656)	(341,340)	-	(1,245,996)
CASH FLOWS FROM FINANCING ACTIVITIES				
Draws or proceeds from bonded debt	-	21,370,000	-	21,370,000
Premium and cost of issuance charges	-	2,047,064	-	2,047,064
Principal payments on capital leases	(2,526)	-	-	(2,526)
Principal payments on loans payable	(100,016)	(15,658,156)	1,246,944	(14,511,228)
Net cash provided by (used in) financing activities	(102,542)	7,758,908	1,246,944	8,903,310
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,529,272)	9,788,761	-	8,259,489
Cash and cash equivalents - Beginning	14,738,183	2,144,291	-	16,882,474
Cash and cash equivalents - Ending	\$ 13,208,911	\$ 11,933,052	\$ -	\$ 25,141,963
SUPPLEMENTAL DISCLOSURE				
Cash paid for interest	\$ 238	\$ 631,538		\$ 631,776

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

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Fenton Charter Public Schools (the “Organization”) was formed as a nonprofit public benefit corporation on April 20, 2006 for the purpose of operating California public schools in Los Angeles County. Fenton Charter Public Schools’ mission is to offer a high-quality innovative education to all students in a safe, secure, nurturing environment where students, parents, and staff become a community of learners achieving collaborative successful outcomes. The Organization has six (6) main operating units, which include five (5) public charter schools and its charter management fund.

The Organization operates five (5) public charter schools; all of which are authorized by the Los Angeles Unified School District (the “authorizing agency” or “LAUSD”). Information regarding the school name, charter school number, the date classes initially began, grades served, and charter petition term end date for each charter school is as follows:

Charter Name	Charter No.	Classes Began	Grades Served	Petition End Date
Fenton Avenue Charter	0030	1/1/1994	3 - 5	6/30/2022
Fenton Primary Center	0911	7/1/2008	K - 2	6/30/2022
Santa Monica Boulevard Community Charter	0446	7/1/2002	K - 6	6/30/2022
Fenton Charter Leadership Academy	1613	8/17/2015	K - 5	6/30/2024
Fenton STEM Academy	1605	8/17/2015	K - 5	6/30/2024

The Organization operates a charter management fund as a program within Fenton Charter Public Schools to manage the Organization’s charter school operations.

In July 2012, the Organization filed articles of incorporation to establish SFV Education, a separate nonprofit public benefit organization organized exclusively for the benefit of, to perform functions of, and to carry out the purposes of Fenton Charter Public Schools. Currently, the Board Chair and Executive Director of Fenton Charter Public Schools serve as the President and Secretary on the Board for SFV Education.

Also in July 2012, articles of incorporation were filed to establish a limited liability corporation under SFV 11351 Dronfield LLC, whereby SFV Education is the sole statutory member of the LLC. Additionally, in December 2014, articles of incorporation were filed to establish SFV Fenton Facilities LLC, previously named SFV 8926 Sunland LLC, as a limited liability corporation with SFV Education being the sole statutory member of the LLC. In February 2020, a certificate of merger was filed between the two LLCs naming SFV Fenton Facilities LLC as the surviving entity and closing SFV 11351 Dronfield LLC. As a sole-member LLC, SFV Fenton Facilities LLC is deemed a disregarded entity and its financial information is consolidated with SFV Education. Additionally, due to the shared governance between Fenton Charter Public Schools and SFV Education, the financial information is consolidated with the Organization.

B. Basis of Accounting

The Organization’s policy is to prepare its consolidated financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Fenton Charter Public Schools and SFV Education, which comprise the Organization as a whole. Intercompany accounts and transactions have been eliminated in consolidation.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Presentation

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective July 1, 2018.

Under the Guide, Fenton Charter Public Schools is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Due to operation of its public charter schools, the Organization also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is only used to the extent that internal accounting for multiple charter school and other program operations is necessary and is not used for external financial statement presentation.

D. Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

F. Cash and Cash Equivalents

Fenton Charter Public Schools considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

G. Investments

The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2020, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

I. Capital Assets

Fenton Charter Public Schools has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

J. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

K. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

L. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Fenton Charter Public Schools. Revenues are recognized by the Organization when earned.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Income Taxes

Fenton Charter Public Schools and SFV Education are 509(a)(1) publicly supported nonprofit organizations that are exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Fenton Charter Public Schools and SFV Education are exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. Because Fenton Charter Public Schools operates schools, the Organization is not required to register with the California Attorney General as a charity.

The Organization's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

O. New Accounting Pronouncements

Revenue Recognition

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board's policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in FASB ASU No. 2014-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 *Revenue Recognition*. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The effective dates for the new guidance are staggered. Public entities have already implemented the new guidance, and nonprofit entities were required to implement the new guidance for fiscal years beginning after December 15, 2018. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Organization will determine the impact on the financial statements once implemented.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncements (continued)

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and was originally effective for public business entities for fiscal years beginning after December 15, 2018. In October 2019, FASB approved to delay effective dates for all public business entities, except for SEC filers, to fiscal years beginning after December 15, 2019. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Organization will determine the impact on the financial statements once implemented.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020, consist of the following:

	Fenton Charter Public Schools	SFV Education	Consolidated Total
Cash in county treasury	\$ 6,195,644	\$ -	\$ 6,195,644
Cash in banks, non-interest bearing	6,500,767	-	6,500,767
Cash with fiscal agent	-	11,933,052	11,933,052
Cash in transit awaiting deposit	511,000	-	511,000
Cash on hand (petty cash)	1,500	-	1,500
Total Cash and Cash Equivalents	\$ 13,208,911	\$ 11,933,052	\$ 25,141,963

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Fenton Charter Public Schools does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2020, \$6,556,587 of the Fenton Charter Public Schools' bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held for each depositor at one or more banks.

Cash with Fiscal Agent

The Organization, under SFV Education, maintains a portion of its cash with Wilmington Trust in money market investments funds. Cash with fiscal agent is carried at amortized cost on behalf of the Organization for purposes of facilities and construction financing related to its bonded debt. These types of investments do not qualify as securities as defined in FASB ASB 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, is not provided.

Cash in County Treasury

Policies and Practices

Fenton Charter Public Schools' charter schools are voluntary participants in an external investment pool. The fair value of the Organization's investment in the pool is reported in the financial statements at amounts based upon the Charter's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest charter school funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Organization has managed its exposure to interest rate risk by investing in the County Treasury. The Organization's investments in the Los Angeles County Investment Pool, which combines the charter schools' share of the portfolio, has a combined fair value of \$6,213,573 and an amortized book value of \$6,195,644 as of June 30, 2020. The average weighted maturity for this pool is 590 days.

Fair Value Measurement

Investments in the Los Angeles County Treasury investment pools are not measured using the fair value input levels noted in Note 1N because the Organization's transactions are based on a stable net asset value per share. All contributions and redemptions are transactions at \$1.00 net asset value per share.

NOTE 3 – INVESTMENTS

Net investment income for the year ended June 30, 2020, was as follows:

Interest and dividends	\$	207,002
Unrealized gains/(losses)		64,633
Investment fees		(5,135)
Net Investment Income	\$	266,500

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 3 – INVESTMENTS (continued)

Investments as of June 30, 2020, consist of \$1,655,590 held in equities and fixed income securities as well as a portion in cash and cash equivalents. The following table provides a description and sets forth, by level within the fair value hierarchy explained in Note 1N, the Organization's investments as of June 30, 2020:

	Market Value	Fair Value Classification			At Cost
		Level 1	Level 2	Level 3	
Equity securities	\$ 110,223	\$ 110,223	\$ -	\$ -	\$ 107,865
Fixed income securities	705,475	705,475	-	-	728,226
Mutual funds	795,411	795,411	-	-	832,987
Cash and cash equivalents	44,481	-	-	-	44,481
Total Investments	\$ 1,655,590	\$ 1,611,109	\$ -	\$ -	\$ 1,713,559

NOTE 4 – ACCOUNTS RECEIVABLE

There was no accounts receivable balance at June 30, 2020 for SFV Education. Accounts receivable as of June 30, 2020, consists of the following held under Fenton Charter Public Schools:

LCFF, state aid	\$ 1,532,059
Federal sources	1,558,758
Other state sources	505,801
In lieu property taxes	940,793
Other local sources	288,931
Total Accounts Receivable	\$ 4,826,342

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2020 consists of the following:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Fenton Public Charter Schools				
Property and equipment				
Land	\$ 829,612	\$ -	\$ -	\$ 829,612
Buildings and improvements	10,319,988	467,786	-	10,787,774
Leasehold improvements	109,030	53,625	-	162,655
Furniture and equipment	4,978,880	327,797	-	5,306,677
Construction in progress	38,641	10,648	-	49,289
Total property and equipment	16,276,151	859,856	-	17,136,007
Less accumulated depreciation	(8,979,847)	(961,922)	-	(9,941,769)
Subtotal Capital Assets, net	\$ 7,296,304	\$ (102,066)	\$ -	\$ 7,194,238
SFV Education				
Property and equipment				
Land	\$ 1,172,110	\$ -	\$ -	\$ 1,172,110
Land improvements	19,759,510	-	-	19,759,510
Construction in progress	-	341,340	-	341,340
Total property and equipment	20,931,620	341,340	-	21,272,960
Less accumulated depreciation	(2,502,205)	(514,743)	-	(3,016,948)
Subtotal Capital Assets, net	\$ 18,429,415	\$ (173,403)	\$ -	\$ 18,256,012
Total Capital Assets, net	\$ 25,725,719	\$ (275,469)	\$ -	\$ 25,450,250

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 6 – ACCOUNTS PAYABLE

There was no accounts payable balance at June 30, 2020 for SFV Education. Accounts payable as of June 30, 2020, consists of the following held under Fenton Charter Public Schools:

Accrued payroll expenses	\$ 1,948,169
Due to authorizing agency	290,496
Due to grantor governments	80,810
Credit card liability	32,818
Vendor payables	439,719
Total Accounts Payable	\$ 2,792,012

NOTE 7 – LONG-TERM LIABILITIES

A summary of activity related to long-term liabilities, absent of any intercompany eliminations, during the year ended June 30, 2020 consists of the following:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Fenton Public Charter Schools				
Charter revolving loan	\$ 100,016	\$ -	\$ 100,016	\$ -
Capital lease	2,526	-	2,526	-
Defined benefit plan liability, net	6,232,760	241,997	-	6,474,757
SFV Education				
Deferred rent liability	-	329,240	-	329,240
Bonded debt, net	-	23,417,064	17,949	23,399,115
Other facilities-related debt	19,358,655	-	19,358,655	-
Total Long-Term Liabilities	\$ 25,693,957	\$ 23,988,301	\$ 19,479,146	\$ 30,203,112

Charter Revolving Loans

Fenton Charter Public Schools was approved to borrow \$250,000 each through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA) for two of its five charter schools. The revolving notes carried an interest rate of 1%. During the fiscal year ended June 30, 2020, the Organization made principal payments of \$100,016. As of June 30, 2020, there was no outstanding balance due on these loans.

Capital Lease

Fenton Charter Public Schools entered into a capital lease agreement for purchase of equipment valued at \$693,350 at the time of acquisition. The lease matured in July 2019 bearing an interest rate of 11.3%. During the fiscal year ended June 30, 2020, the Organization made principal payments of \$2,526. As of June 30, 2020, there was no outstanding balance due on this lease.

Defined Benefit Plan

Fenton Charter Public Schools sponsors a postretirement health benefit plan for certain eligible employees. As of June 30, 2020, the net obligation related to this plan amounted to \$6,474,757, which increased by \$241,997 during the fiscal year ended June 30, 2020. The long-term liability associated with this plan, referred to as a defined benefit plan, is further discussed in Note 11.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (continued)

Deferred Rent Liability

SFV Education held a deferred rent liability of \$329,240 as of June 30, 2020. The deferred rent liability is associated with the third-party lease agreement disclosed in Note 12 (operating lease) and is recorded due to changing annual rent amounts over the 33-year term of the lease.

Bonded Debt and Other Facilities-Related Debt

A summary of activity related to bonded debt and other facilities-related debt held under SFV Education during the year ended June 30, 2020 consists of the following:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
SFV Education				
Charter revenue bonds				
Series 2020A bonds	\$ -	\$ 19,495,000	\$ -	\$ 19,495,000
Series 2020B bonds	-	1,875,000	-	1,875,000
Premium on issuance	-	2,786,456	40,594	2,745,862
Cost of issuance	-	(739,392)	(22,645)	(716,747)
Total charter revenue bonds	-	23,417,064	17,949	23,399,115
Other facilities-related debt				
ExED Facilities LLC	14,173,200	-	14,173,200	-
Clearinghouse CDFI	5,180,524	-	5,180,524	-
Alliance for College-Ready Public	4,931	-	4,931	-
Costs of issuance	(51,360)	-	(51,360)	-
Total other facilities-related debt	19,307,295	-	19,307,295	-
Total	\$ 19,307,295	\$ 23,417,064	\$ 19,325,244	\$ 23,399,115

Charter Revenue Bonds

In February 2020, Fenton Charter Public Schools entered into a loan agreement with Charter School Finance Authority for issuance of a total of \$21,370,000 in Charter School Revenue Bonds. The purpose of the bonds is to finance or refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and/or equipping of certain charter school educational facilities located at 11351 Dronfield Avenue in Pacoima, California and 8926 and 8928 Sunland Boulevard in Sun Valley, California. Bond proceeds are also to be used for certain costs of issuance and to fund debt service reserves related to the bonds. The full issuance consists of \$19,495,000 from tax-exempt Series 2020A bonds and \$1,875,000 from taxable Series 2020B bonds. The bonds bear interest rates ranging from 4.0 to 5.0 percent and mature in July 2058. The Organization utilizes Wilmington Trust as a trustee for debt service funds. The balance available for future construction disbursements and debt service payments is noted within cash with fiscal agent at Note 2.

Future minimum payments associated with debt service obligations on the bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ 357,513	\$ 357,513
2022	280,000	1,029,638	1,309,638
2023	345,000	1,017,738	1,362,738
2024	410,000	1,003,075	1,413,075
2025	455,000	985,650	1,440,650
Thereafter	19,880,000	19,360,713	39,240,713
Total	\$ 21,370,000	\$ 23,754,327	\$ 45,124,327

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (continued)

Bonded Debt and Other Facilities-Related Debt (continued)

Charter Revenue Bonds (continued)

In accordance with ASU No. 2015-3, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the balance sheet as a direct deduction from the carrying value of the associated liability. Additionally, the amortization of debt issuance costs is required to be reported as interest expense. The unamortized costs associated with debt issuance was \$716,747 at June 30, 2020.

ExED Facilities LLC

At July 1, 2019, SFV Education held four notes payable with ExED Facilities LLC totaling \$14,173,200. One of the notes was loaned back to ExED Facilities LLC from Fenton Charter Public Schools. The notes carried interest rates ranging from 3.93 to 5.24 percent and were secured by facilities owned by SFV 11351 Dronfield LLC. The combined balance, after elimination of intercompany borrowings, of \$12,926,256 was partially forgiven resulting in local revenue from cancellation of debt of \$3,700,499 and the remaining balance was repaid as part of the Charter Revenue Bonds issued in February 2020. There is no outstanding balance attributed to these notes payable as of June 30, 2020.

Clearinghouse CDFI

At July 1, 2019, SFV Education held a note payable to Clearinghouse CDFI with an outstanding amount of \$5,180,524. The note was originally issued for \$5,500,000 and carried an interest rate of 6.25%. The balance was repaid as part of the Charter Revenue Bonds issued in February 2020. There is no outstanding balance attributed to this note payable as of June 30, 2020.

Alliance for College-Ready Public

At July 1, 2019, SFV Education held a note payable to Alliance for College-Ready Public Schools with an outstanding balance of \$4,931. The note was originally issued for \$170,000 and carried an interest rate of 3%. The balance was fully repaid during the fiscal year ending June 30, 2020 leaving no outstanding balance attributed to this note payable as of June 30, 2020.

NOTE 8 – NET ASSETS

Net Assets with Donor Restrictions

At June 30, 2020, the Organization's net assets with donor restrictions consist of the following:

State: Clean Energy Jobs Act	\$	415,806
Federal: Child Nutrition Programs		469,259
Total Net Assets with Donor Restrictions	\$	<u>885,065</u>

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2020, the Organization's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$	2,051,135
Undesignated		22,300,192
Total Net Assets without Donor Restrictions	\$	<u>24,351,327</u>

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The table below reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial assets	
Cash and cash equivalents	\$ 25,141,963
Investments, at cost	1,713,559
Accounts receivable, current portion	4,826,342
Prepaid expenses	1,074,811
Total Financial Assets, excluding noncurrent	<u>\$ 32,756,675</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(885,065)
Cash with fiscal agent for bond projects	<u>(11,933,052)</u>
Financial Assets available to meet cash needs	
for expenditures within one year	<u>\$ 19,938,558</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code* 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Organization has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees' Retirement System (CalPERS). The Organization also offers social security to all employees as an alternative plan to those who may not qualify for CalSTRS or CalPERS retirement plans.

California State Teachers' Retirement System (CalSTRS)

Plan Description

Fenton Charter Public Schools 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. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2019-20 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2019-20 was 17.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization's contributions to CalSTRS for the last three fiscal years were as follows:

	Contributions	Percent of Required Contribution
2019-20	\$ 2,241,008	100%
2018-19	\$ 2,165,157	100%
2017-18	\$ 1,876,278	100%

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for both charter schools is estimated at \$1,690,500. The on-behalf payment amount is computed as the proportionate share of total 2018-19 State on-behalf contributions.

California Public Employees' Retirement System (CalPERS)

Plan Description

Fenton Charter Public Schools 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, within 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.

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The charter schools operated by Fenton Charter Public Schools are 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 for fiscal year 2019-20 was 19.721%. The contribution requirements of the plan members are established by state statute. The Organization's contributions to CalPERS for the last three fiscal years were as follows:

	Contributions	Percent of Required Contribution
2019-20	\$ 709,698	100%
2018-19	\$ 622,823	100%
2017-18	\$ 536,470	100%

NOTE 11 – DEFINED BENEFIT PLAN

As previously mentioned in Note 7, the Organization holds a liability associated with a defined benefit plan amounting to a net balance of \$6,474,757 as of June 30, 2020. There was a net increase in the liability of \$241,997 from the beginning balance of \$6,232,760. The total liability is offset by a trust maintained by the Organization.

Plan Description

Fenton Charter Public Schools sponsors a defined benefit plan to provide post-employment healthcare benefits to eligible retirees and eligible covered spouses and pays a portion of the cost. All active employees that retire directly from Fenton Charter Public Schools and meet eligibility criteria may participate. The Organization accrues actuarially determined costs ratably to the date an employee becomes eligible for such benefits.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 11 – DEFINED BENEFIT PLAN (continued)

Eligibility and Benefits Provided

Employees who retire from Fenton Charter Public Schools may be eligible for postemployment medical, dental, and vision benefits based on tiered eligibility. Benefits provided depend on the specific to the tiered eligibility level as determined by criteria in three different tiers. Dependent coverage for spouses is also provided for those eligible tiered employees.

Actuarial Methods and Assumptions

The total defined benefit plan obligation in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2020
Accounting Standard	FASB ASC 715
Discount Rate	2.77%
Actuarial Cost Method	Projected Unit Credit
Medical Cost Trend	6.50%
Dental and Vision Cost Trend	4.50%
Expected Rate of Return	3.00%

Postretirement Benefit Plan

The following information related to Fenton Charter Public Schools' defined benefit plan is contained in the actuarial valuation as of June 30, 2020. The Organization will obtain a new valuation every year.

	<u>June 30, 2020</u>
Total Defined Benefit Plan Liability	
Service cost	\$ 596,506
Interest cost	407,549
Actuarial loss/(gain)	793,907
Benefits payments	<u>(127,692)</u>
Net change	1,670,270
Total liability - beginning	11,535,609
Total liability - ending (a)	<u>\$ 13,205,879</u>
 Trust Assets	
Contributions - employer	\$ 1,141,000
Actual return on assets	<u>287,273</u>
Net change	1,428,273
Trust assets - beginning	5,302,849
Trust assets - ending (b)	<u>\$ 6,731,122</u>
 Net defined benefit plan liability - ending (a) - (b)	<u>\$ 6,474,757</u>
 Balance of trust assets as a percentage of the total defined benefit plan liability	 51%

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 11 – DEFINED BENEFIT PLAN (continued)

Postretirement Benefit Plan (continued)

Fenton Charter Public Schools is expected to contribute \$1,275,000 to trust for the fiscal year ending June 20, 2021. Estimated future benefit payments for the next ten fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Benefit Payments</u>
2021	\$ 223,637
2022	255,731
2023	283,867
2024	244,515
2025	255,515
2026 - 2030	1,307,122
Total	\$ 2,570,387

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Organization's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Organization's share of withdrawal liability is approximately \$22,213,823 as of June 30, 2019. Also as of June 30, 2019, CalPERS has estimated the Organization's share of withdrawal liability to be \$7,255,535. The Organization does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 10 for additional information on employee retirement plans.

Governmental Funds

Fenton Charter Public Schools has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Operating Lease

In December 2019, SFV Education entered into a lease agreement for property located on Sunland Boulevard in Sun Valley, California. The space is utilized by Fenton Charter Public Schools school sites and office space. The lease covers a 33-year term ending on June 30, 2052. In accordance with generally acceptable accounting principles, multi-year lease agreements with varying lease payments should be expensed using a straight-line basis over the life of the lease. Consequently, lease expense attributed to this agreement was \$970,490, which differs from actual lease payments made of \$641,250 for the year ended June 30, 2020. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Payments</u>	<u>Lease Expense</u>	<u>Difference</u>
2021	\$ 918,000	\$ 1,206,411	\$ (288,411)
2022	934,065	1,206,411	(272,346)
2023	950,411	1,206,411	(256,000)
2024	967,043	1,206,411	(239,368)
2025	983,967	1,206,411	(222,444)
Thereafter	34,180,914	32,573,105	1,607,809
Total	\$ 38,934,400	\$ 38,605,160	\$ 329,240

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 13 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Organization makes payments to the authorizing agency, LAUSD, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consist of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$302,995 and total fees for special education encroachment amounted to \$451,210 for the fiscal year ending June 30, 2020.

Supporting Foundation

In September 2013, a separate nonprofit organization, FCPS Foundation, was established for the specific purpose of supporting the operations of Fenton Charter Public Schools. FCPS Foundation is governed by a separate board than that of Fenton Charter Public Schools and SFV Education. During the fiscal year ended June 30, 2020, FCPS Foundation supported Fenton Charter Public Schools through the organization of student activities and field trips; however, no direct payments were made between the two organizations.

Intercompany Transactions

As mentioned in Note 1A, SFV Education is considered financially interrelated with Fenton Charter Public Schools under generally accepted accounting principles because of the governance structure and statutory relationship. As such, intercompany transactions and balances are eliminated in the consolidated financial statements of the Organization to better reflect the true activities of the corporation. The transactions between Fenton Charter Public Schools and SFV Education are shown as eliminations on the consolidating statements of financial position and activities.

NOTE 14 – SUBSEQUENT EVENTS

Fenton Charter Public Schools has evaluated subsequent events for the period from June 30, 2020 through February 19, 2021, the date the financial statements were available to be issued.

As a result of the coronavirus (COVID-19) outbreak, economic uncertainties have arisen which have modified and delayed governmental funding as well as impacted how the Organization operates its programs and activities for the future reporting periods. At this time, management cannot predict the overall impact of the COVID-19 pandemic, but management continues to monitor the situation, to assess further possible implications to operations, and to take actions in an effort to mitigate adverse consequences.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION SECTION

FENTON CHARTER PUBLIC SCHOOLS
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2020

Fenton Charter Public Schools, located in Los Angeles County, was formed as a nonprofit public benefit corporation on April 20, 2006 and operates five (5) public charter schools that are all sponsored by the Los Angeles Unified School District. Information regarding each charter school is as follows:

<u>Charter Name</u>	<u>Charter No.</u>	<u>Classes Began</u>	<u>Grades Served</u>	<u>Petition End Date</u>
Fenton Avenue Charter	0030	1/1/1994	3 - 5	6/30/2022
Fenton Primary Center	0911	7/1/2008	K - 2	6/30/2022
Santa Monica Boulevard Community Charter	0446	7/1/2002	K - 6	6/30/2022
Fenton Charter Leadership Academy	1613	8/17/2015	K - 5	6/30/2024
Fenton STEM Academy	1605	8/17/2015	K - 5	6/30/2024

Information regarding Fenton Charter Public Schools' governing board and administration is as follows:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Joe Lucente	Chair	June 30, 2021
Diane Abeyta	Vice Chair	June, 30 2021
Daniel Laughlin	Parent Representative	June 30, 2020
Yvette King-Berg	Community Representative	June, 30 2021
Walter Wallace	Community Representative	June 30, 2020
Jed Wallace	Community Representative	June 30, 2020

ADMINISTRATION

Irene Sumida
Executive Director

See accompanying note to supplementary information.

FENTON CHARTER PUBLIC SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER
JUNE 30, 2020

California Charter No.	0030	0911	0446	1613	1605			
	Fenton Avenue Charter	Fenton Primary Center	Santa Monica Blvd. Comm. Charter	Fenton Charter Leadership Academy	Fenton STEM Academy	Charter Management	Eliminations	Fenton Public Charter Schools Total
ASSETS								
Current assets								
Cash and cash equivalents	\$ 3,425,758	\$ 4,212,074	\$ 5,242,437	\$ 99,865	\$ 131,744	\$ 97,033	\$ -	\$ 13,208,911
Investments	-	-	-	-	-	1,655,590	-	1,655,590
Accounts receivable	1,124,031	1,402,194	1,481,708	382,736	419,673	16,000	-	4,826,342
Prepaid expenses	64,392	755,443	75,149	91,665	75,734	101,806	-	1,164,189
Intercompany receivable	182,084	12,750	135,699	40,571	141,858	402,817	(428,711)	487,068
Total current assets	4,796,265	6,382,461	6,934,993	614,837	769,009	2,273,246	(428,711)	21,342,100
Noncurrent assets								
Deposits	-	-	-	-	-	82,560	-	82,560
Prepaid rent	-	1,245,612	-	-	-	-	-	1,245,612
Intercompany receivable	-	-	-	-	-	1,918,195	-	1,918,195
Capital assets, net	3,853,768	233,428	2,914,409	70,289	80,796	41,548	-	7,194,238
Total noncurrent assets	3,853,768	1,479,040	2,914,409	70,289	80,796	2,042,303	-	10,440,605
Total Assets	\$ 8,650,033	\$ 7,861,501	\$ 9,849,402	\$ 685,126	\$ 849,805	\$ 4,315,549	\$ (428,711)	\$ 31,782,705
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 212,595	\$ 1,790,369	\$ 649,393	\$ 41,162	\$ 74,446	\$ 24,047	\$ -	\$ 2,792,012
Intercompany payable	-	408,194	-	-	-	20,517	(428,711)	-
Total current liabilities	212,595	2,198,563	649,393	41,162	74,446	44,564	(428,711)	2,792,012
Long-term liabilities								
Defined benefit plan liability, net	1,853,446	1,173,131	1,820,412	527,380	495,428	604,960	-	6,474,757
Total long-term liabilities	1,853,446	1,173,131	1,820,412	527,380	495,428	604,960	-	6,474,757
Total liabilities	2,066,041	3,371,694	2,469,805	568,542	569,874	649,524	(428,711)	9,266,769
Net assets								
Without donor restrictions	6,326,868	4,382,886	6,902,640	96,085	256,367	3,666,025	-	21,630,871
With donor restrictions	257,124	106,921	476,957	20,499	23,564	-	-	885,065
Total net assets	6,583,992	4,489,807	7,379,597	116,584	279,931	3,666,025	-	22,515,936
Total Liabilities and Net Assets	\$ 8,650,033	\$ 7,861,501	\$ 9,849,402	\$ 685,126	\$ 849,805	\$ 4,315,549	\$ (428,711)	\$ 31,782,705

See accompanying note to supplementary information.

FENTON CHARTER PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2020

California Charter No.	0030	0911	0446	1613	1605			
	Fenton Avenue Charter	Fenton Primary Center	Santa Monica Blvd. Comm. Charter	Fenton Charter Leadership Academy	Fenton STEM Academy	Charter Management	Eliminations	Fenton Public Charter Schools Total
NET ASSETS WITHOUT DONOR RESTRICTIONS								
SUPPORT AND REVENUES								
Federal and state support and revenues								
Local control funding formula, state aid	\$ 4,777,849	\$ 5,621,432	\$ 6,921,825	\$ 2,492,716	\$ 2,426,370	\$ -	\$ -	\$ 22,240,192
Federal revenues	945,788	1,074,081	1,000,788	308,329	332,248	-	-	3,661,234
Other state revenues	1,065,044	1,684,859	1,680,059	787,310	892,289	152,145	-	6,261,706
Total federal and state support and revenues	6,788,681	8,380,372	9,602,672	3,588,355	3,650,907	152,145	-	32,163,132
Local support and revenues								
Payments in lieu of property taxes	1,797,079	1,957,104	2,477,370	928,265	895,295	-	-	8,055,113
Investment income, net	35,191	55,501	12,740	3,029	2,798	142,788	-	252,047
Other local revenues	480,654	40,989	210,898	22,634	20,019	3,345,493	(3,228,293)	892,394
Total local support and revenues	2,312,924	2,053,594	2,701,008	953,928	918,112	3,488,281	(3,228,293)	9,199,554
Donor restrictions satisfied	457,750	601,215	789,478	186,077	196,024	-	-	2,230,544
Total Support and Revenues	9,559,355	11,035,181	13,093,158	4,728,360	4,765,043	3,640,426	(3,228,293)	43,593,230
EXPENSES								
Program services	8,187,843	8,498,209	10,063,323	3,791,676	3,615,060	3,055,012	-	37,211,123
Management and general	1,398,460	2,216,976	1,918,929	882,367	1,002,940	762,414	(3,228,293)	4,953,793
Total Expenses	9,586,303	10,715,185	11,982,252	4,674,043	4,618,000	3,817,426	(3,228,293)	42,164,916
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(26,948)	319,996	1,110,906	54,317	147,043	(177,000)	-	1,428,314
NET ASSETS WITH DONOR RESTRICTIONS								
Federal restricted revenues	433,618	609,581	711,624	186,668	198,396	-	-	2,139,887
Donor restrictions satisfied	(457,750)	(601,215)	(789,478)	(186,077)	(196,024)	-	-	(2,230,544)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(24,132)	8,366	(77,854)	591	2,372	-	-	(90,657)
CHANGE IN NET ASSETS	(51,080)	328,362	1,033,052	54,908	149,415	(177,000)	-	1,337,657
Net Assets - Beginning	6,635,072	4,161,445	6,346,545	61,676	130,516	3,843,025	-	21,178,279
Net Assets - Ending	\$ 6,583,992	\$ 4,489,807	\$ 7,379,597	\$ 116,584	\$ 279,931	\$ 3,666,025	\$ -	\$ 22,515,936

See accompanying note to supplementary information.

FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,321,264
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	145,439
Title III, English Learner Student Program	84.365	14346	105,063
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	103,211
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	566,136
<i>COVID-19 Emergency Acts Funding:</i>			
Education Stabilization Fund Discretionary Grants			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	10147	504,883
Total U. S. Department of Education			2,745,996
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Needy	10.553	13526	451,053
National School Lunch Program	10.555	13391	896,603
COVID-19 Emergency Acts Funding - Unanticipated School Closures	10.555	*	331,119
Special Milk Program for Children	10.556	13392	70,644
Subtotal Child Nutrition Cluster			1,749,419
CACFP Claims - Centers and Family Day Care	10.558	13393	501,011
Total U. S. Department of Agriculture			2,250,430
U. S. DEPARTMENT OF THE TREASURY			
<i>Passed through California Department of Education:</i>			
<i>COVID-19 Emergency Acts Funding:</i>			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	10149	744,455
Total U. S. Department of the Treasury			744,455
Total Federal Expenditures			\$ 5,740,881

* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2020

	Second Period Report		Annual Report	
	Certificate No.		Certificate No.	
	Classroom-Based	Nonclassroom-Based	Classroom-Based	Nonclassroom-Based
Fenton Avenue Charter		61BA02C3		A8B85A29
Grade Span				
Regular				
Third	182.31	2.25	182.31	2.25
Fourth and fifth	425.18	5.10	425.18	5.10
Total Average Daily Attendance	607.49	7.35	607.49	7.35
Fenton Primary Center		8785987C		90E9318F
Grade Span				
Regular				
Kindergarten through second	653.84	15.75	653.84	15.75
Total Average Daily Attendance	653.84	15.75	653.84	15.75
Santa Monica Blvd Community Charter		F6D7D277		EEBFA869
Grade Span				
Regular				
Kindergarten through third	498.03	10.60	498.03	10.60
Fourth through sixth	333.06	5.90	333.06	5.90
Total Average Daily Attendance	831.09	16.50	831.09	16.50
Fenton Charter Leadership Academy		51D4A5DA		1B64C454
Grade Span				
Regular				
Kindergarten through third	214.93	6.21	214.93	6.21
Fourth and fifth	94.83	1.41	94.83	1.41
Special education				
Fourth and fifth	0.21	-	0.21	-
Total Average Daily Attendance	309.97	7.62	309.97	7.62
Fenton STEM Academy		D9F31CEB		D26F1F2A
Grade Span				
Regular				
Kindergarten through third	211.10	5.32	211.10	5.32
Fourth and fifth	88.31	1.58	88.31	1.58
Total Average Daily Attendance	299.41	6.90	299.41	6.90

See accompanying note to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Charter School/ Grade Span	Minutes Requirement	2019-20 Planned Instructional Minutes*	2019-20 Planned Number of Days	2019-20 Actual Number of Days**	Number of Days Certified Closed Due to COVID-19	Status
Fenton Avenue Charter						
Grade 3	50,400	58,780	184	127	57	Complied
Grades 4 and 5	54,000	58,780	184	127	57	Complied
Fenton Primary Center						
Kindergarten	36,000	57,805	184	127	57	Complied
Grades 1 and 2	50,400	55,965	184	127	57	Complied
Santa Monica Boulevard Community Charter						
Kindergarten	36,000	59,370	184	127	57	Complied
Grades 1 through 3	50,400	55,690	184	127	57	Complied
Grades 4 through 6	54,000	59,370	184	127	57	Complied
Fenton Charter Leadership Academy						
Kindergarten	36,000	58,470	184	127	57	Complied
Grades 1 through 3	50,400	55,100	184	127	57	Complied
Grades 4 and 5	54,000	58,470	184	127	57	Complied
Fenton STEM Academy						
Kindergarten	36,000	58,470	184	127	57	Complied
Grades 1 through 3	50,400	55,100	184	127	57	Complied
Grades 4 and 5	54,000	58,800	184	127	57	Complied

*The planned minutes covered by the COVID-19 School Closure Certifications were included in the actual minutes column but were not actually offered due to the COVID-19 school closure. On June 25 through 28, 2020, the Organization certified that each of its five (5) charter schools was closed from March 16, 2020 to June 12, 2020 for a total of 57 instructional days closed due to COVID-19.

**The actual number of days also includes emergency closures reported on the Form J-13A for each of the following: Fenton Avenue Charter, Fenton Primary Center, Fenton Charter Leadership Academy, and Fenton STEM Academy each had two (2) emergency closure days on October 11 and 25, 2019. There are no emergency closure days within the actual number of days for Santa Monica Boulevard Community Charter.

See accompanying note to supplementary information.

FENTON CHARTER PUBLIC SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

California Charter No.	0030	0911	0446	1613	1605
	Fenton Avenue Charter	Fenton Primary Center	Santa Monica Blvd. Comm. Charter	Fenton Charter Leadership Academy	Fenton STEM Academy
June 30, 2020, net position in the Charter Schools Enterprise Fund per the Annual Financial and Budget Report (Unaudited Actuals)	\$ 6,536,989	\$ 4,209,113	\$ 7,106,792	\$ 70,610	\$ 181,619
Adjustments:					
Increase (decrease) in total net assets:					
Recognize revenue/receivable for LLM federal funding	45,277	286,714	273,109	41,153	98,202
Adjust accrued services and other operating expenses	59	(6,020)	(304)	4,821	110
Reduce depreciation expense	1,667	-	-	-	-
Net adjustments	47,003	280,694	272,805	45,974	98,312
June 30, 2020, net assets per audited financial statements	\$ 6,583,992	\$ 4,489,807	\$ 7,379,597	\$ 116,584	\$ 279,931

See accompanying note to supplementary information.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

A. Charter Organizational Structure

This schedule provides information about the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Financial Statements by Charter

The Organization's statements of financial position and activities by charter provide information supporting amounts incorporated within Fenton Charter Public Schools, including its charter schools and charter management operating units. Interagency transactions and balances between operating units are eliminated in the financial statements by charter to better reflect the true activities of the Fenton Charter Public Schools in total.

C. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2020 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2020.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 5,801,121
National School Lunch Program	10.555	(35,895)
CACFP Claims - Centers and Family Day Care	10.558	(24,345)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		\$ 5,740,881

The Organization has elected to use the 10 percent de minimis indirect cost rate.

D. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter 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.

E. Schedule of Instructional Time

Charter schools operated by Fenton Charter Public Schools receive, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by each of the Fenton Charter Public Schools charter schools and whether the charter schools complied with the provisions of *Education Code Section 46200 through 46208*.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO THE SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES (continued)

F. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position in the Charter Schools Enterprise Fund reported on the Annual Financial and Budget Reports (Unaudited Actuals) for each charter school to net assets on the audited financial statements. Reference to the audited financial statements reflects only the net assets of the related charter school on the financial statements by charter and does not include all other Organization activities.

OTHER INDEPENDENT AUDITORS' REPORTS



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

**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**

Independent Auditors' Report

To the Board of Directors of
Fenton Charter Public Schools
Sun Valley, California

We have audited, 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, the consolidated financial statements of Fenton Charter Public Schools (the "Organization") as of and for the year ended June 30, 2020, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements and have issued our report thereon dated February 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 the Organization's consolidated 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 consolidated financial statements. 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*.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

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.

Christy White, Inc.

San Diego, California
February 19, 2021



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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

To the Board of Directors of
Fenton Charter Public Schools
Sun Valley, California

Report on Compliance for Each Major Federal Program

We have audited Fenton Charter Public Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fenton Charter Public Schools' major federal programs for the year ended June 30, 2020. Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Fenton Charter Public Schools 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, 2020.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Report on Internal Control Over Compliance

Management of Fenton Charter Public Schools 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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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 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.

Christy White, Inc.

San Diego, California
February 19, 2021



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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Directors of
Fenton Charter Public Schools
Sun Valley, California

Report on State Compliance

We have audited Fenton Charter Public Schools' compliance with the types of compliance requirements described in the *2019-20 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 Fenton Charter Public Schools' state programs for the fiscal year ended June 30, 2020, as identified below. Reference to Fenton Charter Public Schools within this letter is inclusive of all five (5) charter schools referenced in Note 1A of the accompanying financial statements.

Management's Responsibility

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 of Fenton Charter Public Schools' state 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 *2019-20 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 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 the state programs noted below. An audit includes examining, on a test basis, evidence about Fenton Charter Public Schools' 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 with the requirements referred to above. However, our audit does not provide a legal determination of Fenton Charter Public Schools' compliance with those requirements.

Opinion on State Compliance

In our opinion, Fenton Charter Public Schools complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table for the year ended June 30, 2020.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Procedures Performed

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

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	No/Yes (1)
After/Before School Education and Safety Program	Not applicable/Yes (2)
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	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No/Yes (3)
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable/Yes (4)

- (1) We did not perform testing of California Clean Energy Jobs Act for Fenton Charter Leadership Academy (No. 1613) and Fenton STEM Academy (No. 1605) because no funding was received nor expended for this program. Testing was performed for the remaining three charter schools.
- (2) Procedures for the After/Before School Education and Safety Program were only performed for Fenton Primary Center (No. 0911) and Fenton STEM Academy (No. 1605). The program was not applicable to the remaining three charter schools.
- (3) We did not perform testing of Nonclassroom-Based Instruction/Independent Study for Charter Schools for Fenton Avenue Charter (No. 0030), Fenton Charter Leadership Academy (No. 1613), and Fenton STEM Academy (No. 1605) because reported average daily attendance was not material. Testing was performed for the remaining two charter schools.
- (4) Procedures for the Charter School Facility Grant Program were only performed for Fenton Primary Center (No. 0911), Fenton Charter Leadership Academy (No. 1613) and Fenton STEM Academy (No. 1605). The program was not applicable to the remaining two charter schools.

Christy White, Inc.

San Diego, California
February 19, 2021

FINDINGS AND QUESTIONED COSTS SECTION

**FENTON CHARTER PUBLIC SCHOOLS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	
CFDA No. Name of Federal Program or Cluster	
84.010 Title I, Part A, Basic Grants Low-Income and Neglected	
21.019 Coronavirus Relief Fund (CRF): Learning Loss Mitigation	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

FENTON CHARTER PUBLIC SCHOOLS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings related to the financial statements during 2019-20.

FENTON CHARTER PUBLIC SCHOOLS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings and questioned costs related to Federal awards during 2019-20.

**FENTON CHARTER PUBLIC SCHOOLS
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no audit findings and questioned costs related to State awards during 2019-20.

FENTON CHARTER PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

There were no audit findings and questioned costs during 2018-19.