

BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL

CHARTER SCHOOL NUMBER: 1119

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Birmingham Community Charter High School
Van Nuys, California

Report on the Financial Statements

We have audited the accompanying financial statements of Birmingham Community Charter High School (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Birmingham Community Charter High School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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. The supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of the School'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 School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
January 28, 2022

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 28,238,289
Accounts Receivable - Federal and State	6,253,563
Accounts Receivable - Other	334,853
Total Current Assets	<u>34,826,705</u>

LONG-TERM ASSETS

Property, Plant, and Equipment, Net	7,492,468
Total Property and Equipment	<u>7,492,468</u>

Total Assets	<u>\$ 42,319,173</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 2,617,891
Deferred Revenue	4,241,595
Notes Payable	5,822,853
Total Current Liabilities	<u>12,682,339</u>

NET ASSETS

Without Donor Restriction	29,636,834
Total Net Assets	<u>29,636,834</u>

Total Liabilities and Net Assets	<u>\$ 42,319,173</u>
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See accompanying Notes to Financial Statements.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

REVENUES, WITHOUT DONOR RESTRICTION

State Revenue:	
State Apportionments	\$ 28,082,253
Other State Revenue	3,657,342
Federal Revenue:	
Grant and Entitlements	6,542,339
Local Revenue:	
In-Lieu Property Tax Revenue	8,520,363
Investment Income	122,213
Other Revenue	173,661
Total Revenues	<u>47,098,171</u>

EXPENSES

Program Services - Education	30,839,766
Management and General	<u>12,185,880</u>
Total Expenses	<u>43,025,646</u>

CHANGE IN NET ASSETS

4,072,525

Net Assets Without Donor Restriction - Beginning of Year

25,564,309

NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR

\$ 29,636,834

See accompanying Notes to Financial Statements.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 16,927,509	\$ 5,905,740	\$ 22,833,249
Pension Expense	2,540,913	1,062,224	3,603,137
Other Employee Benefits	3,180,330	1,775,757	4,956,087
Payroll Taxes	588,867	344,334	933,201
Legal Expenses	-	232,485	232,485
Accounting Expenses	-	60,246	60,246
Instructional Materials	1,286,059	-	1,286,059
Other Fees for Services	1,810,781	707,275	2,518,056
Advertising and Promotion Expenses	37,051	-	37,051
Office Expenses	604,014	434,269	1,038,283
Information Technology Expenses	826,596	661,394	1,487,990
Occupancy Expenses	1,886,763	-	1,886,763
Travel Expenses	2,029	-	2,029
Interest Expense	55,642	-	55,642
Depreciation Expense	822,085	-	822,085
Insurance Expense	-	375,431	375,431
Other Expenses	271,127	626,725	897,852
	<u>\$ 30,839,766</u>	<u>\$ 12,185,880</u>	<u>\$ 43,025,646</u>
Total			

See accompanying Notes to Financial Statements.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 4,072,525
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	822,085
Accrued Interest on PPP Loan	55,642
(Increase) Decrease in Assets:	
Accounts Receivable - Federal and State	(1,601,433)
Accounts Receivable - Other	(219)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	(786,174)
Deferred Revenue	2,143,860
Net Cash Flows from Operating Activities	<u>4,706,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property, Plan and Equipment	<u>(667,145)</u>
Net Cash Flows from Investing Activities	<u>(667,145)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,039,141
Cash and Cash Equivalents - Beginning of Year	<u>24,199,148</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 28,238,289</u></u>

See accompanying Notes to Financial Statements.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Birmingham Community Charter High School (the School) is an independent conversion charter high school located in the San Fernando Valley, established in July 2009. The School is funded principally through state of California public education monies received through the California Department of Education and the Los Angeles Unified School District (LAUSD).

The charter may be revoked by LAUSD for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provisions of law.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as prescribed by the Financial Accounting Standards Board (FASB).

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and, accordingly, reflect all significant receivables and liabilities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

The School defined its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2021. Due from federal and state governments consists of funds due from federal and state as of June 30, 2021. Management believes that all receivables are fully collectible, therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased, or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The useful lives range varies from 3 to 20 years.

Contributed Assets and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction. Program Service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures incurred, respectively.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2021, the School has conditional grants of \$17,879,025 of which \$4,241,595 is recognized as deferred revenue in the statement of financial position.

Other Revenue

Other revenue consists primarily of facility usage, facility licensing, and student fees. The performance obligation for providing these services is simultaneously received and consumed by the students and other customers; therefore, the revenue is recognized ratably over the course of the academic year.

BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Evaluation of Subsequent Events

The School has evaluated subsequent events through January 28, 2022 the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$34,826,705.

As part of its liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due. The School also has a line of credit that can be drawn upon for cash flow needs.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). Amounts over the FDIC insurance are insured by the bank up to 110%. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements are presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense was \$822,085 in June 30, 2021.

The components of property, plant, and equipment as of June 30, 2021 are as follows:

Building and Improvements	\$ 6,796,666
Furniture, Fixtures, and Equipment	5,557,989
Total	<u>12,354,655</u>
Less: Accumulated Depreciation	<u>(4,862,187)</u>
Property, Plant, and Equipment, Net	<u><u>\$ 7,492,468</u></u>

NOTE 5 NOTES PAYABLE

On April 28, 2020 the School received a loan from Pacific Western Bank in the amount of \$5,758,250 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears has a term of two years and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in August 2021 principal and interest payments will be required through the maturity date in April 2022. The balance as of June 30, 2021 was \$5,822,853 and will all mature in the fiscal year ended June 30, 2022.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 NOTES PAYABLE (CONTINUED)

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 6 LINE OF CREDIT

The School had a promissory note with Pacific Western Bank (PWB) for \$3,000,000. The note had an interest rate at PWB base rate plus 1.5% per annum and matured on March 15, 2021 with all principal and interest due at that time. The note has not been renewed and there was no outstanding balance as of June 30, 2021.

NOTE 7 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California.

The risks of participating in this multiemployer defined benefit pension plan are different from single-employer plans because (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiemployer public retirement system defined benefit pension plan administered by STRS. 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. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2020 total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$405 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2021 was 16.15% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

Contributions to STRS

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 2,186,268	100 %
2020	\$ 2,652,841	100 %
2021	\$ 2,412,120	100 %

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing, multiemployer public retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2020, the School Employer Pool total plan assets are \$72 billion, the present value of accumulated plan benefits is \$102 billion, contributions from all employers totaled \$2.9 billion, and the plan is 70% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS annual financial reports may be obtained from CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members are required to contribute 7.0% of their salary. The school is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2021 was 20.7%. The contribution requirements of the plan members are established and may be amended by state statute.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions to PERS

The School's contributions to PERS for each of the last three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 809,966	100 %
2020	\$ 1,109,455	100 %
2021	\$ 1,191,017	100 %

NOTE 8 CONTINGENCIES, RISKS AND UNCERTAINTIES

Facility Agreement

In September 2012, the School signed a facility shared-use agreement with LAUSD for use of property located at Lake Balboa Education Complex, Los Angeles, California. The agreement commenced in September 2012 and carries a term that coincides with the School's charter. The agreement does not require the School to pay a lease amount for the use of property, but instead, the School pays fees for the maintenance of the facility and other services. The fees are based on the anticipated costs and expenses to operate and maintain the shared use space and are adjusted when LAUSD obtains the actual costs information. The fees paid to LAUSD for the year ended June 30, 2021 were \$1,500,000.

Federal and State Funds

The School 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 disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Risks and Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

SUPPLEMENTARY INFORMATION

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2021**

Birmingham Community Charter High School (the School), a conversion charter school, was established in 2009, and is a nonprofit public benefit school organized under the Nonprofit Public Benefit School Law of the state of California.

The School's current charter was approved in July 2009 by the Los Angeles Unified School District.

The charter school number authorized by the state is: 1119.

The board of directors and administrators as of the year ended June 30, 2021 were as follows:

Board of Directors

<u>Member</u>	<u>Office</u>	<u>Term</u>	<u>Term Expires</u>
Michael Bennett	President	8 Years	June 2022
Robert Alexander	Member	5 Years	June 2022
Marla Benjamin	Member	7 Years	June 2021
Antonio Pizano	Member	4 Years	June 2022
Karin Wettels	Member	2 Years	June 2021
Doris Lasiter	Member	6 Years	June 2022
Marsha Rybin	Member	8 Years	June 2022
Virginia Witherow	Member	4 Years	June 2022
John White	Member	2 Years	June 2021
Robert Marks	Member	3 Years	June 2021
Jonathan Wratten	Member	7 Years	June 2021
Bernard Isiko	Member	3 Years	June 2022
Emilie Hill	Member	1 Year	June 2021
Simran Khinda	Member	1 Year	June 2021
Denis Komen	Member	2 Years	June 2022
Matt Mowry	Member	2 Years	June 2022

Administrators

Ari Bennett	Chief Executive Officer/Principal
William Covington	Chief Business Officer
Isaac Alatorre	Director/Assistant Principal
Tracie Bowdoin	Director/Assistant Principal
Cindy Walker	Director/Assistant Principal
Jose Luis Navarro	Director/Assistant Principal
Missindy Wilkins	Director/Assistant Principal

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2021**

	<u>Traditional Instructional Days</u>	<u>Status</u>
Grade 9	182	In Compliance
Grade 10	182	In Compliance
Grade 11	182	In Compliance
Grade 12	182	In Compliance

See Independent Auditors' Report and accompanying Note to the Supplementary Information.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

June 30, 2021 Annual Financial Report Fund Balances (Net Assets)	\$ 29,506,094
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Cash and Cash Equivalents	(345,719)
Accounts Receivable - Federal and State	5,390
Property, Plant, and Equipment, Net	(35,427)
Accounts Payable and Accrued Liabilities	506,496
Net Adjustments and Reclassifications	<u>130,740</u>
June 30, 2021 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 29,636,834</u>

See Independent Auditors' Report and accompanying Note to the Supplementary Information.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Pass-Through Program from			
California Department of Education:			
No Child Left Behind Act:			
Title I, Part A, Basic Grants - Low Income and Neglected	84.010	14329	\$ 1,087,823
Title II, Part A, Teacher Quality	84.367	14341	161,702
Perkins Vocational Tech Grant	84.048	14894	100,731
Special Education Cluster:			
Special Ed: IDEA Basic Local Assistance	84.027	03379	<u>591,616</u>
Total Special Education Cluster			591,616
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):			
Elementary and Secondary School Emergency Relief (ESSER) Fund - COVID-19 Funding	84.425D	15536	618,615
Governor's Emergency Education Relief (GEER) Fund - COVID- 19 Funding	84.425C	15517	<u>147,204</u>
Total CARES Act			<u>765,819</u>
<i>Total U.S. Department of Education</i>			2,707,691
U.S. Department of Agriculture:			
Pass-Through Program from			
California Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program Especially Needy Breakfast	10.553	13526	202,421
National School Lunch Program	10.555	13004	<u>324,307</u>
Child Nutrition Cluster Subtotal			<u>526,728</u>
<i>Total U.S. Department of Agriculture</i>			526,728
U.S. Department of the Treasury:			
Pass-Through Program from			
California Department of Education:			
Coronavirus Relief Fund - COVID-19 Funding	21.019	25516	<u>3,307,920</u>
<i>Total U.S. Department of the Treasury</i>			<u>3,307,920</u>
Total Federal Expenditures			<u>\$ 6,542,339</u>

See Independent Auditors' Report and accompanying Note to the Supplementary Information.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
NOTE TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of the Education Code.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented on the accrual basis of accounting in accordance with the requirements of the Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Birmingham Community Charter High School has elected to use a rate other than the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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***

Board of Directors
Birmingham Community Charter High School
Van Nuys, 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 financial statements of Birmingham Community Charter High School (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated January 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those 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 School's financial statements are free of 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 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
January 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

Board of Directors
Birmingham Community Charter High School
Van Nuys, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Birmingham Community Charter High School (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit on compliance 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, 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 the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each of its major federal programs to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 the School's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those 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.

Purpose of this Report

The purpose of this report on internal control 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 *Uniform Compliance*. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
January 28, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Birmingham Community Charter High School
Van Nuys, California

Report on Compliance for Each Major Federal Program

We have audited Birmingham Community Charter High School's (the School) compliance with the types of compliance requirements described in the *2020-2021 Guide for Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2021. The School's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-2021 Guide for Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination on the School's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Independent Study Course Based	Not applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based Instructional/Independent Study	Not applicable
Determination of Funding for Nonclassroom-based Instruction	Not applicable
Charter School Facility Grant Program	Not applicable

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of *2020-2021 Guide for Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
January 28, 2022

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
84.425C	Governor's Emergency Education Relief (GEER) Fund
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for June 30, 2021.

**BIRMINGHAM COMMUNITY CHARTER HIGH SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for the June 30, 2020.

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