



AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

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

New Heights Charter (Charter No. 0761)

NEW HEIGHTS CHARTER SCHOOL
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JUNE 30, 2022

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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
New Heights Charter School
Los Angeles, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of New Heights Charter School (the "Charter") which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Heights Charter School as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Heights Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Heights Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 New Heights Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Heights Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of New Heights Charter 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 to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Heights Charter School's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 13, 2022

NEW HEIGHTS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets

Cash and cash equivalents	\$ 1,903,427
Investments	1,630,199
Accounts receivable	1,177,536
Prepaid expenses	104,718
Total current assets	<u>4,815,880</u>

Noncurrent assets

Deposits	12,500
Capital assets, net	510,198
Total noncurrent assets	<u>522,698</u>
Total Assets	\$ 5,338,578

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 266,020
Deferred revenue	594,537
Loan payable	59,131
Total liabilities	<u>919,688</u>

Net assets

Without donor restrictions	<u>4,418,890</u>
Total net assets	<u>4,418,890</u>
Total Liabilities and Net Assets	\$ 5,338,578

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

**NEW HEIGHTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 3,363,904
Federal revenues	1,320,233
Other state revenues	1,340,966
Total federal and state support and revenues	<u>6,025,103</u>
Local support and revenues	
Payments in lieu of property taxes	1,244,165
Grants and donations	116,813
Investment income, net	4,042
Other local revenues	89,392
Total local support and revenues	<u>1,454,412</u>
Total Support and Revenues	<u>7,479,515</u>
EXPENSES	
Program services	
Educational programs	5,490,500
Management and general	1,954,904
Total Expenses	<u>7,445,404</u>
CHANGE IN NET ASSETS	34,111
Net Assets - Beginning	<u>4,384,779</u>
Net Assets - Ending	<u>\$ 4,418,890</u>

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

**NEW HEIGHTS CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

EXPENSES	Educational Programs	Management and General	Total
Personnel expenses			
Certificated salaries	\$ 1,774,762	\$ -	\$ 1,774,762
Non-certificated salaries	1,201,725	812,812	2,014,537
Pension plan contributions	452,069	-	452,069
Payroll taxes	159,557	73,669	233,226
Other employee benefits	421,217	113,551	534,768
Total personnel expenses	4,009,330	1,000,032	5,009,362
Non-personnel expenses			
Books and supplies	612,671	91,987	704,658
Insurance	-	66,674	66,674
Facilities	318,588	308,925	627,513
Professional services	379,586	329,453	709,039
Depreciation	16,252	36,389	52,641
Fees to authorizing agency	134,519	-	134,519
Other operating expenses	19,554	121,444	140,998
Total non-personnel expenses	1,481,170	954,872	2,436,042
Total Expenses	\$ 5,490,500	\$ 1,954,904	\$ 7,445,404

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

**NEW HEIGHTS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 34,111
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	52,641
(Increase) decrease in operating assets	
Accounts receivable	215,494
Prepaid expenses	80,542
Increase (decrease) in operating liabilities	
Accounts payable	126,530
Deferred revenue	278,877
Net cash provided by (used in) operating activities	<u>788,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvestment of earnings	(3,601)
Purchase of capital assets	(16,144)
Net cash provided by (used in) investing activities	<u>(19,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Draws or proceeds from loans payable	59,131
Net cash provided by (used in) financing activities	<u>59,131</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	827,581
Cash and cash equivalents - Beginning	<u>1,075,846</u>
Cash and cash equivalents - Ending	<u>\$ 1,903,427</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

**NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

New Heights Charter School (the “Charter”) was formed as a nonprofit public benefit corporation on December 1, 2005 for the purpose of operating as a California public school located in Los Angeles County. The Charter was numbered by the State Board of Education in March 2006 as California Charter No. 0761. The Charter’s primary purpose is to enhance equity in educational opportunity. During the year ended June 30, 2022, New Heights Charter School served grades TK to 8.

New Heights Charter School is authorized to operate as a charter school through the Los Angeles Unified School District (the “authorizing agency”). On December 8, 2015, the Board of Directors of Los Angeles Unified School District approved a charter renewal for a five-year term beginning July 1, 2016 and ending June 30, 2021. On November 20, 2020, the Board of Directors of Los Angeles Unified School District approved a charter renewal for a five-year term beginning July 1, 2021 and ending June 30, 2026. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its 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. Financial Statement Presentation

The 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, New Heights Charter School 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.

As a public charter school, the Charter 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 not used in the Charter’s financial statement presentation

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of 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. 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.

G. 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 New Heights Charter School. Revenues are recognized by the Charter when earned.

H. Cash and Cash Equivalents

New Heights Charter School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Charter'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.

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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 Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2022, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

New Heights Charter School has adopted a policy to capitalize asset purchases over \$1,000. 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.

L. 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.

M. Income Taxes

New Heights Charter School is a 509(a)(1) publicly supported nonprofit organization that is 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. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter'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. |

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements (continued)

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. Change Accounting Pronouncement

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. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2022, consists of the following:

Cash in banks, interest bearing	\$ 1,079,829
Cash in banks, non-interest bearing	823,398
Cash on hand	200
Total Cash and Cash Equivalents	<u>\$ 1,903,427</u>

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. New Heights Charter School 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, 2022, \$1,653,227 New Heights Charter School's bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank.

NOTE 3 – INVESTMENTS

The Charter holds certificates of deposits, which are carried at amortized cost and classified as investments on the statement of financial position. This investment does not qualify as securities defined in FASB ASC 320, *Investments - Debt and Equity Securities*, thus the fair value disclosure required by ASB 820, *Fair Value Measurements and Disclosures*, are not provided. As of June 30, 2022, the carrying value of the certificates of deposit is \$1,630,199.

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consists of the following:

Local control funding sources, state aid	\$	488,652
Federal sources		250,931
Other state sources		376,580
In lieu property tax payments		43,097
Other local sources		18,276
Total Accounts Receivable	\$	1,177,536

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2022 consists of the following:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Property and equipment				
Site and leasehold improvements	\$ 863,235	\$ -	\$ -	\$ 863,235
Computer equipment	162,895	16,144	-	179,039
Furniture and fixtures	42,322	-	-	42,322
Total property and equipment	1,068,452	16,144	-	1,084,596
Less accumulated depreciation	(521,757)	(52,641)	-	(574,398)
Capital Assets, net	\$ 546,695	\$ (36,497)	\$ -	\$ 510,198

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2022, consists of the following:

Due to grantor government	\$	194,614
Other vendor payables		66,319
Salaries and benefits		3,896
Due to authorizing agency		1,191
Total Accounts Payable	\$	266,020

NOTE 7 – LOANS PAYABLE

Proposition 39 Facilities Alternative Agreement

In April 2022, the Charter entered into an alternative agreement to pay LAUSD a total amount of \$216,770 to resolve any and all claims by LAUSD of Proposition 39 over allocation of space. The loan is to be repaid over a twenty-two month period ending December 2023. As of June 30, 2022, the outstanding balance was \$177,358 due by June 30, 2023.

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – DEFERRED REVENUE

Deferred revenue as of June 30, 2022, consists of the following:

Federal sources	\$ 142,325
State sources	452,212
Total Deferred Revenue	<u>\$ 594,537</u>

NOTE 9 – NET ASSET

At June 30, 2022, the Charter did not hold any net assets with 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 Charter. At June 30, 2022, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 510,198
Reserve for economic uncertainty	372,270
Undesignated	3,535,894
Total Net Assets without Donor Restrictions	<u>\$ 4,418,362</u>

As agreed upon within the charter petition, the Charter agrees to establish and maintain a reserve for economic uncertainty equal to five percent of total expenditures. As noted in the previous table, the Charter has met this reserve limit.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2022, 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	\$ 1,903,427
Accounts receivable	1,177,536
Prepaid expenses	104,718
Deposits	12,500
Total Financial Assets, excluding noncurrent	<u>\$ 3,198,181</u>
Board designations	
Reserve for economic uncertainty	<u>(372,270)</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 2,825,911</u>

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multi-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 Charter has made such election for its certificated personnel. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The Charter also offers all employees an alternative plan who may not qualify for CalSTRS retirement plan.

California State Teachers' Retirement System (CalSTRS)

Plan Description

New Heights Charter School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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 2021-22 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2021-22 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2021-22	272,238	100%
2020-21	252,152	100%
2019-20	260,342	100%

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 New Heights Charter School is estimated at \$179,831. The on-behalf payment amount is computed as the proportionate share of total 2020-21 State on-behalf contributions.

Alternative Plan

As established by federal law, all public sector employees who are not members of their employer's existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Charter offers both social security and a 403(b) employee funded plan. All employees are eligible to participate in the plans. A participant of the 403(b) plan may make an election to defer compensation and have it contributed to this plan.

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

New Heights Charter 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Operating Leases

Lower Campus

In June 2008, New Heights Charter School entered into a commercial lease agreement to occupy space located at 2202-2204 West Martin Luther King Boulevard in Los Angeles, California, referred to as the "Lower Campus." The facility is utilized by the Charter for instructional services for students in grades TK through 2 as well as for an administrative office. The original agreement called for a security deposit of \$7,400 upon execution and an additional deposit payable on June 1, 2010. The Charter has recorded the total security deposit of \$8,000 as an asset. An option was executed to extend the lease term for five years, terminating on June 30, 2025. As of June 30, 2022, the Charter recorded \$55,137 in rent expense and paid an additional \$4,641 which is classified as a prepaid expense. Future minimum lease payments on this lease agreement are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2023	\$ 55,688
2024	56,802
2025	57,938
Total	\$ 170,428

In April 2010, New Heights Charter School entered into a separate commercial lease agreement to occupy space located at 4100 Arlington Avenue in Los Angeles, California. The agreement called for a security deposit of \$4,500, as well as an annual increase of two percent for the monthly rental rate up to the date of termination. The lease commenced on July 14, 2010 and terminated on July 31, 2020. During the fiscal year ended June 30, 2022, the Charter paid a total of \$98,419 in lease payments; \$8,202 of which is classified as a prepaid expense. On May 18, 2020, the lease was renewed for the period commencing August 1, 2020 and ending July 31, 2025. Future minimum lease payments on this lease agreement are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2023	\$ 99,321
2024	101,226
2025	103,250
2026	8,619
Total	\$ 312,416

Upper Campus

In October 2013, the Charter entered into a facility use agreement with the Los Angeles Unified School District for use of the space at the King Elementary School location at 3989 Hobart Boulevard in Los Angeles, California, referred to as the "Upper Campus." The facility is utilized by the Charter for instructional services in grades 3 to 8 as well as administrative office space in order to meet the educational goals established by the Charter. In September 2021, the Charter confirmed acceptance to continue facility usage for a pro-rata share charge equal to \$195,581 for the 2020-21 fiscal year. For the year ended June 30, 2022, the Charter recorded \$195,581 in rent expense for use of these facilities.

**NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Charter School Authorization

As mentioned in Note 1A, New Heights Charter School is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

Joint Powers Agency (JPA)

During the fiscal year ended June 30, 2022, the Charter participated in a joint venture with CharterSafe, previously known as the California Charter Schools Joint Powers Authority. CharterSafe arranges for insurance coverage related to general liability, workers' compensation, and other miscellaneous liability coverage specific to the operation of a charter school. The relationship between the Charter and the JPA is such that the JPA is not financially inter-related to the Charter for financial reporting purposes. Premiums paid to CharterSafe totaled \$100,522 during the year ended June 30, 2022. As of June 30, 2022, \$24,238 is recorded as a prepaid expense attributed to the 2022-22 fiscal year.

Multiemployer Defined Benefit Plan Participation

Under current law on multi-employer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multi-employer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multi-employer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$1,075,927 as of June 30, 2021. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 11 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2022.

NOTE 13 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, Los Angeles Unified School District, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of one percent of local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to \$134,519 and total expenses for special education for the fiscal year ending June 30, 2022. The Charter entered into a facility use agreement with the District; refer to Operating Leases – Upper Campus at Note 12.

Related Entity

The charter has a related entity named NHCS Facilities Holdings formed in April 11, 2017. The charter has not had any financial transactions with NHCS Facilities Holdings during the fiscal year ending June 30, 2022.

NEW HEIGHTS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 14 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to New Heights Charter School in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 15 – SUBSEQUENT EVENTS

New Heights Charter School has evaluated subsequent events for the period from June 30, 2022 through December 13, 2022, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**NEW HEIGHTS CHARTER SCHOOL
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

New Heights Charter School, located in Los Angeles, California, was formed as a nonprofit public benefit corporation on December 1, 2005 and numbered by the State Board of Education in March 2006. The Charter was authorized to operate as a charter school through Los Angeles Unified School District. Classes began in September 2006 for New Heights Charter School, charter number 0761. During 2021-22, the Charter served 411 students in grades TK to 8.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Michelle Robson	President	June 30, 2023
Erin Keller	Treasurer/CFO	June 30, 2022
Robert Tagorda	Member	June 30, 2024
Bob Madok	Member	June 30, 2024
Hylan Tee Hubbard IV	Member	June 30, 2023

ADMINISTRATION

Amy Berfield
Executive Director

NEW HEIGHTS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL 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	\$ 187,720
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	22,131
Title III, Immigrant Education Program	84.365	15146	16,889
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	14,146
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1]:			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	26,221
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	129,205
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	347,817
Subtotal Education Stabilization Fund Discretionary Grants			<u>503,243</u>
<i>Passed through Los Angeles Unified School District:</i>			
Special Education Cluster	84.027	13379	115,207
IDEA Basic Local Assistance Entitlement, Part B, Sec 611			
<i>Passed through California School Finance Authority:</i>			
Title IV, State Charter School Facilities Program	84.282D	*	11,485
Subtotal Special Education Cluster			<u>126,692</u>
Total U. S. Department of Education			<u>870,821</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO [1]:			
Child Nutrition Cluster	10.553	13525	25,383
Meal Supplements	10.553	13526	92,691
School Breakfast Program - Needy	10.555	13391	240,195
National School Lunch Program	10.555	*	27,883
COVID-19 Emergency Acts Funding - Unanticipated School Closures			<u>386,152</u>
Subtotal Child Nutrition Cluster	10.649	15644	614
Pandemic EBT Local Administrative Grant			<u>386,766</u>
Total U. S. Department of Agriculture			
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Epidemiology and Laboratory Capacity (ELC) Reopening Schools Grant	93.323	*	62,646
Total U. S. Department of Health & Human Services			<u>62,646</u>
Total Federal Expenditures			<u>\$ 1,320,233</u>

[1] - Major Program

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

**NEW HEIGHTS CHARTER SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Second Period Report</u>	<u>Annual Report</u>
	<u>Classroom-Based</u>	
Grade Span		
Kindergarten* through third	166.52	166.82
Fourth through sixth	119.54	119.79
Seventh through eighth	93.98	94.37
Total Average Daily Attendance - Classroom-Based	<u>380.04</u>	<u>380.98</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Kindergarten* through third	2.93	2.25
Fourth through sixth	0.93	0.95
Seventh through eighth	0.20	0.15
Total Average Daily Attendance - Nonclassroom-Based	<u>4.06</u>	<u>3.35</u>

*Includes Transitional Kindergarten (TK)

**NEW HEIGHTS CHARTER SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Span	Minutes Requirement	2021-22 Instructional Minutes	2021-22 Number of Days	Status
Kindergarten*	36,000	57,195	177	Complied
Grades 1 through 3	50,400	57,195	177	Complied
Grades 4 through 8	54,000	61,215	177	Complied

*Includes Transitional Kindergarten (TK)

**NEW HEIGHTS CHARTER SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022**

June 30, 2022, net position in Charter School Enterprise Fund per Annual and Financial Budget Report (Unaudited Actuals)	<u>\$ 4,418,362</u>
Adjustments:	
Increase (decrease) in total net assets:	
Include interest revenue earned from Certificate of Deposit	<u>528</u>
June 30, 2022, net assets per audited financial statements	<u>\$ 4,418,890</u>

See accompanying notes to supplementary information.

**NEW HEIGHTS CHARTER SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter 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 Charter has not elected to use the 10 percent de minimis indirect cost rate.

C. Schedule of Average Daily Attendance

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.

D. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the New Heights Charter School and whether the Charter complied with the provisions of *Education Code Section 47612*.

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

This schedule provides the information necessary to reconcile net position for the Charter Schools Enterprise Fund reported on the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

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
New Heights Charter School
Los Angeles, 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 New Heights Charter School (the "Charter") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

Christy White, Inc.

San Diego, California
December 13, 2022



Certified Public Accountants serving
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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
New Heights Charter School
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Heights Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Heights Charter School's major federal programs for the year ended June 30, 2022. New Heights Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Heights Charter 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New Heights Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of New Heights Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to New Heights Charter School's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Heights Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about New Heights Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New Heights Charter School's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of New Heights Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New Heights Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Internal Control Over Compliance (continued)

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
December 13, 2022



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K-12 School Districts and Charter
Schools throughout California

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Directors of
New Heights Charter School
Los Angeles, California

Report on State Compliance

Opinion on State Compliance

We have audited New Heights Charter School's compliance with the types of compliance requirements described in the *2021-22 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 New Heights Charter School's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, New Heights Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of New Heights Charter School and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of New Heights Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to New Heights Charter School's state programs.

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Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Heights Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about New Heights Charter School's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New Heights Charter School's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Heights Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of New Heights Charter School's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine New Heights Charter School's compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	No*
After/Before School Education and Safety Program	Not applicable
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

**We did not perform testing of California Clean Energy Jobs Act because the Charter did not receive nor expended any funding for this program. We did not perform testing of Nonclassroom-Based Instruction/Independent Study because ADA was not material.*

"Not applicable" is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

Auditor's Responsibilities for the Audit for State Compliance

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 state 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 state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California
December 13, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**NEW HEIGHTS CHARTER SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

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

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	
AL Number(s)	Name of Federal Program or Cluster
84.425, 84.425C	Education Stabilization Fund Discretionary Grants
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

Audit year findings, if any, are assigned an appropriate finding code as follows:

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**NEW HEIGHTS CHARTER SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings related to the financial statements during the year ended June 30, 2022.

**NEW HEIGHTS CHARTER SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to federal awards during the year ended June 30, 2022.

**NEW HEIGHTS CHARTER SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to state awards during the year ended June 30, 2022.

**NEW HEIGHTS CHARTER SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

This schedule presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2021.