



FENTON CHARTER PUBLIC SCHOOLS

**CONSOLIDATED
AUDIT REPORT**

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

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

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

AND CONSOLIDATED WITH

SFV Education (SFV Fenton Facilities LLC)

FENTON CHARTER PUBLIC SCHOOLS
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements**Opinion**

We have audited the accompanying consolidated financial statements of Fenton Charter Public Schools (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fenton Charter Public Schools 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 Fenton Charter Public Schools 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 Fenton Charter Public Schools' 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.

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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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 7, 2022, on our consideration of Fenton Charter Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fenton Charter Public Schools' internal control over financial reporting and compliance.



San Diego, California
December 7, 2022

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	Fenton Charter Public Schools	SFV Education	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 25,208,197	\$ 4,338,223	\$ -	\$ 29,546,420
Investments	3,181,124	-	-	3,181,124
Accounts receivable	6,244,566	-	-	6,244,566
Prepaid expenses	1,248,973	-	(196,693)	1,052,280
Intercompany receivable	166,625	-	(166,625)	-
Total current assets	<u>36,049,485</u>	<u>4,338,223</u>	<u>(363,318)</u>	<u>40,024,390</u>
Noncurrent assets				
Deposits	83,987	10,000	-	93,987
Prepaid rent expense	1,171,859	-	(1,171,859)	-
Right-of-use asset	14,049	15,787,810	-	15,801,859
Capital assets, net	5,979,805	22,974,825	-	28,954,630
Total noncurrent assets	<u>7,249,700</u>	<u>38,772,635</u>	<u>(1,171,859)</u>	<u>44,850,476</u>
Total Assets	<u>\$ 43,299,185</u>	<u>\$ 43,110,858</u>	<u>\$ (1,535,177)</u>	<u>\$ 84,874,866</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 4,583,523	\$ -	\$ -	\$ 4,583,523
Intercompany payable	-	166,625	(166,625)	-
Deferred revenue	6,091,776	196,693	(196,693)	6,091,776
Total current liabilities	<u>10,675,299</u>	<u>363,318</u>	<u>(363,318)</u>	<u>10,675,299</u>
Long-term liabilities				
Deferred rent revenue	-	1,171,859	(1,171,859)	-
Operating lease liability	14,049	16,677,807	-	16,691,856
Defined benefit plan liability, net	1,468,238	-	-	1,468,238
Bonded debt, net of unamortized costs	-	23,276,317	-	23,276,317
Total long-term liabilities	<u>1,482,287</u>	<u>41,125,983</u>	<u>(1,171,859)</u>	<u>41,436,411</u>
Total liabilities	<u>12,157,586</u>	<u>41,489,301</u>	<u>(1,535,177)</u>	<u>52,111,710</u>
Net assets				
Without donor restrictions	29,047,609	1,621,557	-	30,669,166
With donor restrictions	2,093,990	-	-	2,093,990
Total net assets	<u>31,141,599</u>	<u>1,621,557</u>	<u>-</u>	<u>32,763,156</u>
Total Liabilities and Net Assets	<u>\$ 43,299,185</u>	<u>\$ 43,110,858</u>	<u>\$ (1,535,177)</u>	<u>\$ 84,874,866</u>

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

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Fenton Public Charter Schools			SFV Education	Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		
SUPPORT AND REVENUES						
Federal and state support and revenues						
Local control funding formula, state aid	\$ 25,392,807	\$ -	\$ 25,392,807	\$ -	\$ -	\$ 25,392,807
Federal revenues	7,024,797	1,363,116	8,387,913	-	-	8,387,913
Other state revenues	9,642,860	7,630	9,650,490	-	-	9,650,490
Total federal and state support and revenues	42,060,464	1,370,746	43,431,210	-	-	43,431,210
Local support and revenues						
Payments in lieu of property taxes	7,824,684	-	7,824,684	-	-	7,824,684
Investment income, net	(637,448)	-	(637,448)	4,616	-	(632,832)
Other local revenues	412,428	-	412,428	2,336,654	(2,336,544)	412,538
Total local support and revenues	7,599,664	-	7,599,664	2,341,270	(2,336,544)	7,604,390
Donor restrictions satisfied	126,447	(126,447)	-	-	-	-
Total Support and Revenues	49,786,575	1,244,299	51,030,874	2,341,270	(2,336,544)	51,035,600
EXPENSES						
Program services	45,882,708	-	45,882,708	2,494,424	(1,752,408)	46,624,724
Management and general	3,210,026	-	3,210,026	597,266	(584,136)	3,223,156
Total Expenses	49,092,734	-	49,092,734	3,091,690	(2,336,544)	49,847,880
CHANGE IN NET ASSETS	693,841	1,244,299	1,938,140	(750,420)	-	1,187,720
Net Assets - Beginning	28,353,768	1,265,498	29,619,266	2,065,822	-	31,685,088
Prior period restatement	-	(415,807)	(415,807)	306,155	-	(109,652)
Net Assets - Beginning, as restated	28,353,768	849,691	29,203,459	2,371,977	-	31,575,436
Net Assets - Ending	\$ 29,047,609	\$ 2,093,990	\$ 31,141,599	\$ 1,621,557	\$ -	\$ 32,763,156

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

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Eliminations	Total
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 15,263,764	\$ 419,575	\$ -	\$ 15,683,339
Noncertificated salaries	7,331,322	-	-	7,331,322
Deferred compensation	4,826,991	89,111	-	4,916,102
Payroll taxes	1,077,204	24,581	-	1,101,785
Other employee benefits	1,475,949	4,358	-	1,480,307
Total personnel expenses	29,975,230	537,625	-	30,512,855
Non-personnel expenses				
Books and supplies	7,096,101	76,663	-	7,172,764
Insurance	-	245,988	-	245,988
Facilities	3,670,756	1,492,367	(2,336,544)	2,826,579
Professional services	4,144,325	961,667	-	5,105,992
Interest expense	1,242,289	-	-	1,242,289
Depreciation	1,203,750	180,825	-	1,384,575
Payments to authorizing agency	568,715	292,670	-	861,385
Other operating expenses	475,966	19,487	-	495,453
Total non-personnel expenses	18,401,902	3,269,667	(2,336,544)	19,335,025
Eliminations	(1,752,408)	(584,136)	2,336,544	-
Total Expenses	\$ 46,624,724	\$ 3,223,156	\$ -	\$ 49,847,880

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

**FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	Fenton Charter Public Schools	SFV Education	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 1,938,140	\$ (750,420)	\$ -	\$ 1,187,720
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities				
Noncash items				
Depreciation	723,298	661,277	-	1,384,575
Unrealized loss on investments	288,264	-	-	288,264
Interest expense for amortization of debt issuance charges	-	(61,399)	-	(61,399)
Lease expense on right-of-use asset	-	272,346	-	272,346
(Increase) decrease in operating assets				
Accounts receivable	2,195,042	-	-	2,195,042
Prepaid expenses and rent	914,889	-	(23,995)	890,894
Intercompany receivable	3,016,716	-	(3,016,716)	-
Increase (decrease) in operating liabilities				
Accounts payable	345,414	-	-	345,414
Intercompany payable	-	(3,016,716)	3,016,716	-
Deferred revenue	4,266,025	8,784	(8,784)	4,266,025
Deferred rent revenue	-	(32,779)	32,779	-
Defined benefit plan liability, net	(2,277,755)	-	-	(2,277,755)
Net cash provided by (used in) operating activities	<u>11,410,033</u>	<u>(2,918,907)</u>	<u>-</u>	<u>8,491,126</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of securities	(1,496,546)	-	-	(1,496,546)
Purchases of capital assets	(130,072)	(2,309,467)	-	(2,439,539)
Net cash provided by (used in) investing activities	<u>(1,626,618)</u>	<u>(2,309,467)</u>	<u>-</u>	<u>(3,936,085)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,783,415	(5,228,374)	-	4,555,041
Cash and cash equivalents - Beginning	<u>15,424,782</u>	<u>9,566,597</u>	<u>-</u>	<u>24,991,379</u>
Cash and cash equivalents - Ending	<u>\$ 25,208,197</u>	<u>\$ 4,338,223</u>	<u>\$ -</u>	<u>\$ 29,546,420</u>
SUPPLEMENTAL DISCLOSURE				
Cash paid for interest	<u>\$ -</u>	<u>1,242,289</u>		<u>\$ 1,242,289</u>

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

**FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

<u>Charter Name</u>	<u>Charter No.</u>	<u>Classes Began</u>	<u>Grades Served</u>	<u>Petition End Date</u>
Fenton Avenue Charter	0030	1/1/1994	3 - 5	6/30/2024
Fenton Primary Center	0911	7/1/2008	K - 2	6/30/2024
Santa Monica Boulevard Community Charter	0446	7/1/2002	K - 6	6/30/2024
Fenton Charter Leadership Academy	1613	8/17/2015	K - 5	6/30/2026
Fenton STEM Academy	1605	8/17/2015	K - 5	6/30/2026

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

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

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

B. Basis of Accounting

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

C. Principles of Consolidation

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

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Statement Presentation

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Fenton Charter Public Schools is required to report information regarding its financial position and activities according to two classes of net assets:

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

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

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

E. Estimates

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

F. 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.

G. Cash and Cash Equivalents

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

H. Investments

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

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole.

J. Capital Assets

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

K. 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.

L. 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.

M. In Lieu of Property Taxes Revenue

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

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Income Taxes

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

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

O. Fair Value Measurements

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

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

	Fenton Charter Public Schools	SFV Education	Consolidated Total
Cash in county treasury	\$ 9,807,286	\$ -	\$ 9,807,286
County treasury fair value adjustment	(405,946)	-	(405,946)
Cash in banks, non-interest bearing	12,791,861	616,190	13,408,051
Cash in banks, interest bearing	3,013,496	-	3,013,496
Cash with fiscal agent	-	3,722,033	3,722,033
Cash on hand (petty cash)	1,500	-	1,500
Total Cash and Cash Equivalents	\$ 25,208,197	\$ 4,338,223	\$ 29,546,420

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Fenton Charter Public Schools does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2022, \$14,280,701 of the Fenton Charter Public Schools’ bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held for each depositor at one or more banks.

Cash with Fiscal Agent

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

Cash in County Treasury

Policies and Practices

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

General Authorizations

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

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

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Organization has managed its exposure to interest rate risk by investing in the county treasury. The Organization’s investments in the Los Angeles County Investment Pool, which combines the charter schools’ share of the portfolio, has a combined fair value of \$9,401,340 and an amortized unadjusted book value of \$9,807,286 as of June 30, 2022. The average weighted maturity for this pool is 933 days.

Fair Value Measurement

Cash in county treasury is measured at Level 1 using the fair value input levels noted in section O of Note 1. The funds were not previously measured. The Organization has reclassified these funds as Level 1 because the amounts invested in the county treasury pooled investment fund primarily consist of investment types having observable inputs that reflect quoted prices. The investment types include those noted under the general authorizations section. As such, the carrying value consists of the amortized book value presented as “cash in county treasury” offset by the “county treasury fair value adjustment” to arrive at the combined fair value amount noted under the interest rate risk section.

NOTE 3 – INVESTMENTS

Investments as of June 30, 2022, consist of \$3,334,559 held in equities and fixed income securities as well as mutual funds. The following table provides a description and sets forth, by level within the fair value hierarchy explained in section O of Note 1, the Organization’s investments as of June 30, 2022:

	Market Value	Fair Value Classification			At Cost
		Level 1	Level 2	Level 3	
Equity securities	\$ 677,894	\$ 677,894	\$ -	\$ -	\$ 703,038
Fixed income securities	1,160,971	1,160,971	-	-	1,227,114
Mutual funds	1,342,259	1,342,259	-	-	1,404,407
Total Investments	\$ 3,181,124	\$ 3,181,124	\$ -	\$ -	\$ 3,334,559

Additionally, investment return for the year ended June 30, 2022, was as follows:

Interest and dividends	\$ 99,551
Unrealized net gains/(losses)	(691,850)
Investment fees	(40,533)
Net Investment Income	\$ (632,832)

NOTE 4 – ACCOUNTS RECEIVABLE

There was no accounts receivable balance at June 30, 2022 for SFV Education. Accounts receivable as of June 30, 2022, consists of the following held under Fenton Charter Public Schools:

LCFF, state aid	\$ 3,955,006
Federal sources	1,520,805
Other state sources	453,033
In lieu property taxes payments	236,230
Other local sources	79,492
Total Accounts Receivable	\$ 6,244,566

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS

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

	July 1, 2021	Additions	Disposals	June 30, 2022
Fenton Public Charter Schools				
Property and equipment				
Land	\$ 829,612	\$ -	\$ -	\$ 829,612
Buildings and improvements	10,998,057	-	-	10,998,057
Leasehold improvements	162,655	51,100	-	213,755
Furniture and equipment	5,405,347	46,744	-	5,452,091
Construction in progress	27,009	32,228	-	59,237
Total property and equipment	17,422,680	130,072	-	17,552,752
Less accumulated depreciation	(10,849,649)	(723,298)	-	(11,572,947)
Subtotal Capital Assets, net	\$ 6,573,031	\$ (593,226)	\$ -	\$ 5,979,805
SFV Education				
Property and equipment				
Land	\$ 1,172,110	\$ -	\$ -	\$ 1,172,110
Land improvements	19,759,510	5,728,762	-	25,488,272
Leasehold improvements	341,340	-	-	341,340
Construction in progress	3,586,030	2,309,467	5,728,762	166,735
Total property and equipment	24,858,990	8,038,229	5,728,762	27,168,457
Less accumulated depreciation	(3,532,355)	(661,277)	-	(4,193,632)
Subtotal Capital Assets, net	\$ 21,326,635	\$ 7,376,952	\$ 5,728,762	\$ 22,974,825
Total Capital Assets, net	\$ 27,899,666	\$ 6,783,726	\$ 5,728,762	\$ 28,954,630

NOTE 6 – ACCOUNTS PAYABLE

There was no accounts payable balance at June 30, 2022 for SFV Education. Accounts payable as of June 30, 2022, consists of the following held under Fenton Charter Public Schools:

Accrued payroll expenses	\$ 3,115,257
Vendor payables	486,746
Due to grantor governments	719,331
Due to authorizing agency	262,189
Total Accounts Payable	\$ 4,583,523

NOTE 7 – LONG-TERM LIABILITIES

A summary of activity related to long-term liabilities, absent of any intercompany eliminations, during the year ended June 30, 2022 consists of the following:

	July 1, 2021	Additions	Deletions	June 30, 2022
Fenton Public Charter Schools				
Defined benefit plan liability, net	\$ 3,745,993	\$ -	\$ 2,277,755	\$ 1,468,238
Operating lease liability	31,302	-	17,253	14,049
SFV Education				
Operating lease liability	17,496,325	-	818,518	16,677,807
Bonded debt, net	23,337,716	-	61,399	23,276,317
Total Long-Term Liabilities	\$ 44,611,336	\$ -	\$ 3,174,925	\$ 41,436,411

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – LONG-TERM LIABILITES (continued)

Defined Benefit Plan

Fenton Charter Public Schools sponsors a postretirement health benefit plan for certain eligible employees. As of June 30, 2022, the net obligation related to this plan amounted to \$1,335,783, which decreased by \$2,410,210 during the fiscal year ended June 30, 2022. The long-term liability associated with this plan, referred to as a defined benefit plan, is further discussed in Note 11.

Operating Lease Liability

Fenton Charter Public Schools holds lease agreements for the use of equipment such as printers and copiers. The leases cover a 5-year term ending on June 30, 2025. In accordance with generally acceptable accounting principles, multi-year lease agreements with varying lease payments should be expensed using a straight-line basis over the life of the lease.

In December 2019, SFV Education entered into a lease agreement for property located on Sunland Boulevard in Sun Valley, California. The space is utilized by Fenton Charter Public Schools school sites and office space. The lease covers a 33-year term ending on June 30, 2052. In accordance with generally acceptable accounting principles, multi-year lease agreements with varying lease payments should be expensed using a straight-line basis over the life of the lease. Consequently, lease expense attributed to this agreement was \$818,518, which differs from actual lease payments made of \$935,427 for the year ended June 30, 2022.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of an operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, or hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense over a straight-line basis reduced by the implied discount rate. The Charter has accounted for its facilities lease and equipment agreement using an implied discount rate of 4.5 percent. The associated asset and liability are amortized on a straight-line basis over the term of the lease as follows:

Fenton Public Charter Schools					
Fiscal Year Ending June 30,	(a) Lease Expense	(b) Actual Lease Payments	(c) Discount (4.5%) Implied Rate)	(b) - (c) Operating Lease Liability	(a) - (c) Right-of-Use Asset
2023	\$ 81,363	\$ 81,363	\$ 71,190	\$ 10,173	\$ 10,173
2024	19,652	19,652	17,065	2,587	2,587
2025	14,042	14,042	12,753	1,289	1,289
Total	\$ 115,057	\$ 115,057	\$ 101,008	\$ 14,049	\$ 14,049

SFV Education					
Fiscal Year Ending June 30,	(a) Lease Expense	(b) Actual Lease Payments	(c) Discount (4.5%) Implied Rate)	(b) - (c) Operating Lease Liability	(a) - (c) Right-of-Use Asset
2023	\$ 1,206,411	\$ 950,411	\$ 153,433	\$ 796,978	\$ 1,052,978
2024	1,206,411	967,043	191,038	776,005	1,015,373
2025	1,206,411	983,967	228,383	755,584	978,028
2026	1,206,411	1,001,186	265,486	735,700	940,925
2027	1,206,411	1,018,707	302,367	716,340	904,044
Thereafter	30,160,283	31,849,525	18,952,325	12,897,200	10,896,462
Total	\$ 36,192,338	\$ 36,770,839	\$ 20,093,032	\$ 16,677,807	\$ 15,787,810

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – LONG-TERM LIABILITES (continued)

Bonded Debt

A summary of activity related to bonded debt, net of unamortized issuance costs, held under SFV Education during the year ended June 30, 2022 consists of the following:

	July 1, 2021	Additions	Deletions	June 30, 2022
SFV Education				
Charter revenue bonds				
Series 2020A bonds	\$ 19,495,000	\$ -	\$ -	\$ 19,495,000
Series 2020B bonds	1,875,000	-	-	1,875,000
Premium on issuance	2,624,078	-	121,783	2,502,295
Cost of issuance	(656,362)	-	(60,384)	(595,978)
Total Bonded Debt, Net	\$ 23,337,716	\$ -	\$ 61,399	\$ 23,276,317

Charter Revenue Bonds

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 345,000	\$ 1,017,738	\$ 1,362,738
2024	410,000	1,003,075	1,413,075
2025	455,000	985,650	1,440,650
2026	475,000	966,313	1,441,313
2027	475,000	946,350	1,421,350
Thereafter	19,210,000	17,448,050	36,658,050
Total	\$ 21,370,000	\$ 22,367,176	\$ 43,737,176

In accordance with ASU No. 2015-3, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the balance sheet as a direct deduction from the carrying value of the associated liability. Additionally, the amortization of debt issuance costs is required to be reported as interest expense. The unamortized costs associated with debt issuance were \$595,978 at June 30, 2022.

NOTE 8 – NET ASSETS

Net Assets with Donor Restrictions

At June 30, 2022, the Organization’s net assets with donor restrictions consist of the following:

Child nutrition programs	\$ 2,079,469
ARP - Homeless Children and Youth II Program	6,891
After School Education Safety Program	7,630
Total Net Assets with Donor Restrictions	\$ 2,093,990

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – NET ASSETS (continued)

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2022, the Organization’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 5,678,313
Undesignated	24,990,853
Total Net Assets without Donor Restrictions	<u>\$ 30,669,166</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The table below reflects the Organization’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	\$ 29,546,420
Investments, at cost	3,181,124
Accounts receivable	6,244,566
Prepaid expenses	1,052,280
Total Financial Assets, excluding noncurrent	<u>\$ 40,024,390</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(2,093,990)
Cash with fiscal agent for bond projects	<u>(3,722,033)</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 34,208,367</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

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

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Fenton Charter Public Schools contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

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

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 Organization’s contributions to CalSTRS for the last three fiscal years were as follows:

	Contributions	Percent of Required Contribution
2021-22	\$ 2,324,969	100%
2020-21	\$ 2,104,669	100%
2019-20	\$ 2,241,008	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 both charter schools is estimated at \$1,546,129. The on-behalf payment amount is computed as the proportionate share of total 2020-21 State on-behalf contributions.

California Public Employees’ Retirement System (CalPERS)

Plan Description

Fenton Charter Public Schools contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary.

Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The charter schools operated by Fenton Charter Public Schools are required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2021-22 was 22.91% of annual payroll. The contribution requirements of the plan members are established by state statute. The Organization’s contributions to CalPERS for the last three fiscal years were as follows:

	Contributions	Percent of Required Contribution
2021-22	\$ 823,856	100%
2020-21	\$ 684,849	100%
2019-20	\$ 709,698	100%

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – DEFINED BENEFIT PLAN

As previously mentioned in Note 7, the Organization holds a liability associated with a defined benefit plan amounting to a net balance of \$1,468,238 as of June 30, 2022. There was a net decrease in the liability of \$2,277,755 from the beginning balance of \$3,745,993. The total liability is offset by a trust maintained by the Organization.

Plan Description

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

Eligibility and Benefits Provided

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

Postretirement Benefit Plan

The following information related to Fenton Charter Public Schools' defined benefit plan is contained in the actuarial valuation as of June 30, 2022. The Organization will obtain a new valuation every year.

	<u>June 30, 2022</u>
Total Defined Benefit Plan Liability	
Service cost	\$ 576,128
Interest cost	365,389
Change in plan provisions	-
Actuarial loss/(gain)	(2,459,746)
Benefits payments	<u>(214,561)</u>
Net change	(1,732,790)
Total liability - beginning	<u>12,407,633</u>
Total liability - ending (a)	<u>\$ 10,674,843</u>
 Trust Assets	
Contributions - employer	\$ 859,678
Actual return on assets	<u>(314,713)</u>
Net change	544,965
Trust assets - beginning	<u>8,661,640</u>
Trust assets - ending (b)	<u>\$ 9,206,605</u>
 Net defined benefit plan liability - ending (a) - (b)	<u>\$ 1,468,238</u>
 Balance of trust assets as a percentage of the total defined benefit plan liability	 86%

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – DEFINED BENEFIT PLAN (continued)

Postretirement Benefit Plan (continued)

Fenton Charter Public Schools is expected to contribute \$637,267 to the trust for the fiscal year ending June 30, 2023. Estimated future benefit payments for the next ten fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Benefit Payments</u>
2023	\$ 382,750
2024	329,469
2025	322,986
2026	296,429
2027	319,259
2028 - 2032	1,723,686
Total	\$ 3,374,579

Actuarial Methods and Assumptions

The total defined benefit plan obligation in the June 30, 2022 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2022
Accounting Standard	FASB ASC 715
Discount Rate	4.35%
Actuarial Cost Method	Projected Unit Credit
Medical Cost Trend	6.25%
Dental and Vision Cost Trend	4.50%
Expected Rate of Return	3.00%

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

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

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the new term expiration dates to the charter petitions are as follows:

<u>Charter Name</u>	<u>Petition End Date</u>
Fenton Avenue Charter	6/30/2024
Fenton Primary Center	6/30/2024
Santa Monica Boulevard Community Charter	6/30/2024
Fenton Charter Leadership Academy	6/30/2026
Fenton STEM Academy	6/30/2026

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continue)

Governmental Funds

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

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Organization's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Organization's share of withdrawal liability is approximately \$23,539,909 as of June 30, 2021. Also as of June 30, 2021, CalPERS has estimated the Organization's share of withdrawal liability to be \$7,665,544. The Organization does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 10 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 Organization makes payments to the authorizing agency, LAUSD, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consist of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$292,670 and total fees for special education encroachment amounted to \$568,715 for the fiscal year ending June 30, 2022.

Supporting Foundation

In September 2013, a separate nonprofit organization, FCPS Foundation, was established for the specific purpose of supporting the operations of Fenton Charter Public Schools. FCPS Foundation is governed by a separate board than that of Fenton Charter Public Schools and SFV Education. During the fiscal year ended June 30, 2022, FCPS Foundation supported Fenton Charter Public Schools through the organization of student activities and field trips; however, no direct payments were made between the two organizations.

Intercompany Transactions

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

FENTON CHARTER PUBLIC SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 14 – PRIOR PERIOD RESTATEMENT

A prior period restatement was necessary to accurately reflect the true net asset balance as of July 1, 2021 for the Organization. Fenton Charter Public Schools held funding restricted for Clean Energy Jobs Act projects in net assets with restrictions yet these funds are to be repaid to the granting agency. The funding should have been released from restrictions and recorded as a liability due to the grantor prior to July 1, 2021. SFV Education held a deferred rent liability associated with a multi-year fluctuating lease agreement that was removed during implementation of the new lease standard. A summary of the prior period restatement is as follows:

	Fenton Charter Public Schools		SFV	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Education Without Donor Restrictions	
Net Assets - Beginning	\$ 28,353,768	\$ 1,265,498	\$ 2,065,822	\$ 31,685,088
Prior period restatement				
Remove deferred rent liability	-	-	306,155	306,155
Release past restriction on revenue for repayment to granting agency	-	(415,807)	-	(415,807)
Net prior period restatements	-	(415,807)	306,155	(109,652)
Net Assets - Beginning, as restated	<u>\$ 28,353,768</u>	<u>\$ 849,691</u>	<u>\$ 2,371,977</u>	<u>\$ 31,575,436</u>

NOTE 15 – SUBSEQUENT EVENTS

Fenton Charter Public Schools has evaluated subsequent events for the period from June 30, 2022 through December 7, 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

**FENTON CHARTER PUBLIC SCHOOLS
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

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

<u>Charter Name</u>	<u>Charter No.</u>	<u>Classes Began</u>	<u>Grades Served</u>	<u>Petition End Date</u>
Fenton Avenue Charter	0030	1/1/1994	3 - 5	6/30/2024
Fenton Primary Center	0911	7/1/2008	K - 2	6/30/2024
Santa Monica Boulevard Community Charter	0446	7/1/2002	K - 6	6/30/2024
Fenton Charter Leadership Academy	1613	8/17/2015	K - 5	6/30/2026
Fenton STEM Academy	1605	8/17/2015	K - 5	6/30/2026

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

<u>BOARD OF DIRECTORS</u>		
<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Joe Lucente	Chair	June 30, 2023
Walter Wallace	Vice Chair	June 30, 2022
Daniel Laughlin	Parent Representative	June 30, 2022
Yvette King-Berg	Community Representative	June 30, 2023
Diane Abeyta	Community Representative	June 30, 2023
Jed Wallace	Community Representative	June 30, 2022

ADMINISTRATION

David Riddick
Chief Executive Officer

Jason Gonzalez
Chief Operations Officer

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED 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	\$ 1,129,941
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	127,810
Title III, English Learner Student Program	84.365	14346	107,211
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	98,360
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	99
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	489,000
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	319,474
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	73,322
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	208,259
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	359,003
Subtotal Education Stabilization Fund Discretionary Grants			1,449,157
<i>Passed through Los Angeles Unified School District:</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	740,888
Total U. S. Department of Education			3,653,367
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:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	1,065,094
National School Lunch Program	10.555	13391	2,736,712
SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	177,034
Subtotal Child Nutrition Cluster			3,978,840
Pandemic EBT Local Administrative Grant	10.649	15644	3,070
<i>Passed through California Department of Social Services:</i>			
CACFP Claims - Centers and Family Day Care	10.558	13393	319,017
Total U. S. Department of Agriculture			4,300,927
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	*	426,728
Total U. S. Department of Health & Human Services			426,728
Total Federal Expenditures			\$ 8,381,022

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2022**

California Charter No.	0030	0911	0446	1613	1605			
	Fenton Avenue Charter	Fenton Primary Center	Santa Monica Blvd. Comm. Charter	Fenton Charter Leadership Academy	Fenton STEM Academy	Charter Management	Eliminations	Fenton Public Charter Schools Total
ASSETS								
Current assets								
Cash and cash equivalents	\$ 4,892,379	\$ 6,616,785	\$ 9,898,495	\$ 751,236	\$ 1,083,102	\$ 1,966,200	\$ -	\$ 25,208,197
Investments	986,504	500,000	-	-	-	1,694,620	-	3,181,124
Accounts receivable	1,438,539	1,817,708	1,964,013	584,018	440,288	-	-	6,244,566
Prepaid expenses	156,389	779,585	72,955	78,292	86,682	75,070	-	1,248,973
Intercompany receivable	-	538,001	-	-	-	-	(371,376)	166,625
Total current assets	7,473,811	10,252,079	11,935,463	1,413,546	1,610,072	3,735,890	(371,376)	36,049,485
Noncurrent assets								
Deposits	-	-	-	-	-	83,987	-	83,987
Prepaid rent	-	1,171,859	-	-	-	-	-	1,171,859
Right-of-use asset	2,087	2,325	3,011	3,025	3,025	576	-	14,049
Capital assets, net	3,385,545	302,544	2,153,633	51,878	57,681	28,524	-	5,979,805
Total noncurrent assets	3,387,632	1,476,728	2,156,644	54,903	60,706	113,087	-	7,249,700
Total Assets	\$ 10,861,443	\$ 11,728,807	\$ 14,092,107	\$ 1,468,449	\$ 1,670,778	\$ 3,848,977	\$ (371,376)	\$ 43,299,185
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 440,477	\$ 3,304,361	\$ 745,830	\$ 24,705	\$ 74,011	\$ (5,861)	\$ -	\$ 4,583,523
Intercompany payable	-	-	-	-	-	371,376	(371,376)	-
Deferred revenue	1,579,713	1,504,007	2,051,594	569,989	386,473	-	-	6,091,776
Total current liabilities	2,020,190	4,808,368	2,797,424	594,694	460,484	365,515	(371,376)	10,675,299
Long-term liabilities								
Operating lease liability	2,087	2,325	3,011	3,025	3,025	576	-	14,049
Defined benefit plan liability, net	452,804	261,104	342,436	106,214	123,956	181,724	-	1,468,238
Total long-term liabilities	454,891	263,429	345,447	109,239	126,981	182,300	-	1,482,287
Total liabilities	2,475,081	5,071,797	3,142,871	703,933	587,465	547,815	(371,376)	12,157,586
Net assets								
Without donor restrictions	8,088,690	5,787,822	10,305,223	624,627	940,085	3,301,162	-	29,047,609
With donor restrictions	297,672	869,188	644,013	139,889	143,228	-	-	2,093,990
Total net assets	8,386,362	6,657,010	10,949,236	764,516	1,083,313	3,301,162	-	31,141,599
Total Liabilities and Net Assets	\$ 10,861,443	\$ 11,728,807	\$ 14,092,107	\$ 1,468,449	\$ 1,670,778	\$ 3,848,977	\$ (371,376)	\$ 43,299,185

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2022**

California Charter No.	0030	0911	0446	1613	1605			
	Fenton Avenue Charter	Fenton Primary Center	Santa Monica Blvd. Comm. Charter	Fenton Charter Leadership Academy	Fenton STEM Academy	Charter Management	Eliminations	Fenton Public Charter Schools Total
NET ASSETS WITHOUT DONOR RESTRICTIONS								
SUPPORT AND REVENUES								
Federal and state support and revenues								
Local control funding formula, state aid	\$ 5,466,716	\$ 6,390,626	\$ 7,856,858	\$ 2,899,899	\$ 2,778,708	\$ -	\$ -	\$ 25,392,807
Federal revenues	1,270,125	2,052,396	1,922,105	774,344	1,005,827	-	-	7,024,797
Other state revenues	1,755,922	2,743,583	2,255,025	1,217,567	1,443,503	227,260	-	9,642,860
Total federal and state support and revenues	8,492,763	11,186,605	12,033,988	4,891,810	5,228,038	227,260	-	42,060,464
Local support and revenues								
Payments in lieu of property taxes	1,670,502	1,831,936	2,326,057	977,123	1,019,066	-	-	7,824,684
Charter management fees	-	-	-	-	-	4,043,114	(4,043,114)	-
Investment income, net	(101,174)	(167,215)	(60,089)	(10,420)	(11,662)	(286,888)	-	(637,448)
Other local revenues	137,916	47,496	148,684	29,377	34,240	14,715	-	412,428
Total local support and revenues	1,707,244	1,712,217	2,414,652	996,080	1,041,644	3,770,941	(4,043,114)	7,599,664
Donor restrictions satisfied	16,017	61,503	32,163	7,669	9,095	-	-	126,447
Total Support and Revenues	10,216,024	12,960,325	14,480,803	5,895,559	6,278,777	3,998,201	(4,043,114)	49,786,575
EXPENSES								
Program services	8,689,110	11,623,836	11,318,513	5,153,622	5,522,008	3,575,619	-	45,882,708
Management and general	1,224,817	1,780,734	1,816,168	864,926	884,735	681,760	(4,043,114)	3,210,026
Total Expenses	9,913,927	13,404,570	13,134,681	6,018,548	6,406,743	4,257,379	(4,043,114)	49,092,734
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	302,097	(444,245)	1,346,122	(122,989)	(127,966)	(259,178)	-	693,841
NET ASSETS WITH DONOR RESTRICTIONS								
Federal restricted revenues	257,258	621,579	240,610	119,480	124,189	-	-	1,363,116
State restricted revenues	-	7,630	-	-	-	-	-	7,630
Donor restrictions satisfied	(16,017)	(61,503)	(32,163)	(7,669)	(9,095)	-	-	(126,447)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	241,241	567,706	208,447	111,811	115,094	-	-	1,244,299
CHANGE IN NET ASSETS	543,338	123,461	1,554,569	(11,178)	(12,872)	(259,178)	-	1,938,140
Net Assets - Beginning	8,053,587	6,630,064	9,503,396	775,694	1,096,185	3,560,340	-	29,619,266
Prior period restatement	(210,563)	(96,515)	(108,729)	-	-	-	-	(415,807)
Net Assets - Beginning, as restated	7,843,024	6,533,549	9,394,667	775,694	1,096,185	3,560,340	-	29,203,459
Net Assets - Ending	\$ 8,386,362	\$ 6,657,010	\$ 10,949,236	\$ 764,516	\$ 1,083,313	\$ 3,301,162	\$ -	\$ 31,141,599

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report		Annual Report	
	Classroom-Based	Nonclassroom-Based	Classroom-Based	Nonclassroom-Based
Fenton Avenue Charter				
Grade Span				
Third	162.72	7.72	164.71	7.27
Fourth through fifth	338.27	18.62	338.24	17.05
Total Average Daily Attendance	500.99	26.34	502.95	24.32
Fenton Primary Center				
Grade Span				
Kindergarten through second	530.79	47.50	539.18	40.69
Total Average Daily Attendance	530.79	47.50	539.18	40.69
Santa Monica Boulevard Community Charter				
Grade Span				
Kindergarten through third	398.09	26.06	405.01	23.51
Fourth through sixth	292.15	17.97	294.30	15.17
Total Average Daily Attendance	690.24	44.03	699.31	38.68
Fenton Charter Leadership Academy				
Grade Span				
Kindergarten through third	159.89	12.07	162.13	11.17
Fourth through fifth	122.02	14.47	122.67	13.52
Total Average Daily Attendance	281.91	26.54	284.80	24.69
Fenton STEM Academy				
Grade Span				
Kindergarten through third	180.65	13.17	181.38	11.68
Fourth through fifth	118.99	8.88	119.25	7.40
Total Average Daily Attendance	299.64	22.05	300.63	19.08

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Charter School/ Grade Span	Minutes Requirement	2021-22 Instructional Minutes	2021-22 Number of Days	Status
Fenton Avenue Charter				
Grade 3	50,400	62,075	191	Complied
Grades 4 and 5	54,000	63,030	191	Complied
Fenton Primary Center				
Kindergarten	36,000	59,210	191	Complied
Grades 1 and 2	50,400	59,210	191	Complied
Santa Monica Boulevard Community Charter				
Kindergarten	36,000	59,210	191	Complied
Grades 1 through 3	50,400	59,210	191	Complied
Grades 4 through 6	54,000	63,030	191	Complied
Fenton Charter Leadership Academy				
Kindergarten	36,000	59,210	191	Complied
Grades 1 through 3	50,400	59,210	191	Complied
Grades 4 and 5	54,000	63,030	191	Complied
Fenton STEM Academy				
Kindergarten	36,000	59,210	191	Complied
Grades 1 through 3	50,400	59,210	191	Complied
Grades 4 and 5	54,000	63,030	191	Complied

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022**

California Charter No.	0030	0911	0446	1613	1605
	Fenton Avenue Charter	Fenton Primary Center	Santa Monica Blvd. Comm. Charter	Fenton Charter Leadership Academy	Fenton STEM Academy
June 30, 2021, net position in the Charter Schools Enterprise Fund per the Annual Financial and Budget Report (Unaudited Actuals)	\$ 8,711,736	\$ 6,953,820	\$ 11,124,426	\$ 776,340	\$ 1,096,405
Adjustments:					
Record county treasury fair value adjustment	(114,811)	(199,758)	(66,461)	(11,824)	(13,092)
Client adjustment to other operating expenses	-	(537)	-	-	-
Record prior period restatement for amount due to grantor govt.	(210,563)	(96,515)	(108,729)	-	-
Net adjustments	(325,374)	(296,810)	(175,190)	(11,824)	(13,092)
June 30, 2021, net assets per audited financial statements*	\$ 8,386,362	\$ 6,657,010	\$ 10,949,236	\$ 764,516	\$ 1,083,313

**Net assets per audited financial statements for each charter school can be seen on the Financial Statements by Charter.*

See accompanying notes to supplementary information.

**FENTON CHARTER PUBLIC SCHOOLS
 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 schools’ 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 Organization has not elected to use the 10 percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2022 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2022.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 8,387,913
American Rescue Plan - Homeless Children and Youth II Program	84.425	(6,891)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		\$ 8,381,022

C. Financial Statements by Charter

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

D. 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.

E. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered per grade level by Fenton Charter Public Schools’ charter schools and whether the charter schools complied with the provisions of *Education Code Section 47612.5*.

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

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

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Fenton Charter Public Schools (the "Organization") as of and for the year ended June 30, 2022, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 7, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
December 7, 2022

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

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

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

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

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

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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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. However, material weaknesses or significant deficiencies in internal control over compliance may exist 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.

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 7, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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

Report on State Compliance**Opinion on State Compliance**

We have audited Fenton Charter Public Schools' 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 Fenton Charter Public Schools' state programs for the fiscal year ended June 30, 2022, as identified below. Reference to Fenton Charter Public Schools within this letter is inclusive of all five (5) charter schools referenced in Note 1A of the accompanying financial statements.

In our opinion, Fenton Charter Public Schools 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 Fenton Charter Public Schools 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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' state programs.

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 Fenton Charter Public Schools’ 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 Fenton Charter Public Schools’ 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 Fenton Charter Public Schools’ compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Fenton Charter Public Schools’ 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 Fenton Charter Public Schools’ internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Fenton Charter Public Schools’ 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/Yes (1)
After/Before School Education and Safety Program	Not applicable/Yes (2)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
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	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable / Yes (3)

(1) We did not perform testing of California Clean Energy Jobs Act for Fenton Charter Leadership Academy (Charter No. 1613) and Fenton STEM Academy (Charter No. 1605) because no funding was received nor expended for this program. Testing was performed for the remaining three charter schools.

(2) Procedures for the After/Before School Education and Safety Program were only performed for Fenton Primary Center (Charter No. 0911 and Fenton STEM Academy (Charter No. 1605). The program was not applicable to the remaining three charter schools.

Auditor's Responsibilities for the Audit for State Compliance (continued)

(3) *Procedures for the Charter School Facility Grant Program were only performed for Fenton Primary Center (Charter No. 0911), Fenton Charter Leadership Academy (Charter No. 1613) and Fenton STEM Academy (Charter No. 1605). The program was not applicable to the remaining two charter schools.*

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

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

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.

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.



San Diego, California
December 7, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FENTON CHARTER PUBLIC SCHOOLS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

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

Federal Awards

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

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

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

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities 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

**FENTON CHARTER PUBLIC SCHOOLS
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.

**FENTON CHARTER PUBLIC SCHOOLS
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.

**FENTON CHARTER PUBLIC SCHOOLS
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.

**FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

This schedule presents the status of actions taken by the Organization 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.