



Granada Hills
Charter

Charter #572

Audit Report

June 30, 2023



Granada Hills Charter
Financial Statements and Supplemental Information
Year Ended June 30, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT **2**

FINANCIAL STATEMENTS **5**

Consolidated Statement of Financial Position 5

Consolidated Statement of Activities..... 6

Consolidated Statement of Functional Expenses 7

Consolidated Statement of Cash Flows 8

Notes to the Consolidated Financial Statements 9

SUPPLEMENTARY INFORMATION **27**

Consolidating Statement of Financial Position 27

Consolidating Statement of Activities 28

Consolidating Statement of Functional Expenses..... 29

LEA Organization Structure 30

Schedule of Average Daily Attendance 31

Schedule of Instructional Time 32

Schedule of Financial Trends & Analysis..... 33

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements..... 34

Schedule of Expenditures of Federal Awards..... 35

Notes to the Schedule of Expenditures of Federal Awards..... 36

Notes to Supplementary Information..... 37

OTHER INDEPENDENT AUDITOR’S REPORTS **39**

Independent Auditor’s 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 39

Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal
Control Over Compliance Required by the Uniform Guidance 41

Independent Auditor’s Report on State Compliance and on Internal Control over State Compliance..... 43

AUDITOR’S RESULTS, FINDINGS & RECOMMENDATIONS **46**

Schedule of Auditor’s Results..... 46

Schedule of Findings and Questioned Costs..... 47

Schedule of Prior Year Audit Findings..... 48

Independent Auditor's Report

To the Board of Directors of
Granada Hills Charter

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Granada Hills Charter (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Granada Hills Charter as of June 30, 2023, 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 Granada Hills Charter 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 opinions.

Emphasis of Matter – Changes in Accounting Principle and Policy

As described in Note A to the financial statements, in the fiscal year ended June 30, 2023, the School adopted new accounting guidance, *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Granada Hills Charter's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 Granada Hills Charter's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Granada Hills Charter's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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. The additional accompanying supplementary information, as identified in the Table of Contents and as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 schedule of expenditures of federal awards and additional accompanying supplementary information, as identified in the Table of Contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of Granada Hills Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Granada Hills Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Granada Hills Charter's internal control over financial reporting and compliance.



El Cajon, California

December 13, 2023

Financial Statements

Granada Hills Charter

Consolidated Statement of Financial Position

June 30, 2023

Assets

| | |
|---------------------------------------|-----------------------|
| Cash and cash equivalents | \$ 38,670,013 |
| Operating investments | 16,694,205 |
| Accounts receivable | 5,655,786 |
| Inventory | 66,296 |
| Prepaid expenses | 960,884 |
| Prepaid cost of issuance | 1,413,212 |
| Property and equipment, net | 66,713,700 |
| Right-of-use assets, operating leases | |
| Facilities and equipment | 51,466,419 |
| Accumulated amortization | (2,154,865) |
| Total Assets | <u>\$ 179,485,650</u> |

Liabilities and Net Assets

Liabilities

| | |
|--|--------------------|
| Accounts payable - vendors | \$ 3,199,590 |
| Accounts payable - grantor government | 1,384,459 |
| Accounts payable - student groups | 471,195 |
| Accrued expenses and other liabilities | 2,027,172 |
| Accrued vacation liability | 504,279 |
| Unearned revenue | 728,632 |
| Operating leases payable | 49,358,082 |
| Bonds and notes payable | 70,069,376 |
| Total Liabilities | <u>127,742,785</u> |

Net Assets

| | |
|---|-----------------------|
| Without donor restrictions | |
| Undesignated | 86,110,115 |
| Invested in property and equipment, net of related debt | (52,713,758) |
| | <u>33,396,357</u> |
| With donor restrictions | |
| Restricted for other federal programs | 2,937,979 |
| Restricted for other state programs | 9,165,699 |
| Restricted for ASB programs | 700,672 |
| Restricted for other local programs | 5,542,158 |
| | <u>18,346,508</u> |
| Total Net Assets | <u>51,742,865</u> |
| Total Liabilities and Net Assets | <u>\$ 179,485,650</u> |

The accompanying notes are an integral part of this statement.

Granada Hills Charter
Consolidated Statement of Activities
Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Revenue, Support, and Gains | | | |
| Local Control Funding Formula (LCFF) sources | | | |
| State aid | \$ 40,525,015 | \$ - | \$ 40,525,015 |
| Education protection account state aid | 6,320,702 | - | 6,320,702 |
| Transfers in lieu of property taxes | 19,343,945 | - | 19,343,945 |
| Total LCFF sources | <u>66,189,662</u> | <u>-</u> | <u>66,189,662</u> |
| Federal contracts and grants | - | 7,900,454 | 7,900,454 |
| State contracts and grants | 16,470,884 | 8,242,874 | 24,713,758 |
| Local contracts and grants | 1,764,207 | - | 1,764,207 |
| Net investment return | - | 598,365 | 598,365 |
| Rental income | 81,413 | - | 81,413 |
| Interest income | (201,137) | - | (201,137) |
| Net assets released from restriction - | | | |
| Grant restrictions satisfied | <u>5,079,957</u> | <u>(5,079,957)</u> | <u>-</u> |
| Total revenue, support, and gains | <u>89,384,986</u> | <u>11,661,736</u> | <u>101,046,722</u> |
| Expenses and Losses | | | |
| Program services expense | 73,788,436 | - | 73,788,436 |
| Supporting services expense | <u>18,732,484</u> | <u>-</u> | <u>18,732,484</u> |
| Total expenses and losses | <u>92,520,920</u> | <u>-</u> | <u>92,520,920</u> |
| Change in Net Assets | (3,135,934) | 11,661,736 | 8,525,802 |
| Net Assets, Beginning of Year | <u>36,532,291</u> | <u>6,684,772</u> | <u>43,217,063</u> |
| Net Assets, End of Year | <u>\$ 33,396,357</u> | <u>\$ 18,346,508</u> | <u>\$ 51,742,865</u> |

The accompanying notes are an integral part of this statement.

Granada Hills Charter

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

| | <u>Program Services</u> | <u>Supporting Services</u> | <u>Total</u> |
|--|---------------------------------|-----------------------------------|----------------------|
| | <u>Educational Programs</u> | <u>Management and General</u> | |
| Salaries and wages | \$ 36,962,881 | \$ 7,011,730 | \$ 43,974,611 |
| Pension expense | 9,136,042 | 1,733,076 | 10,869,118 |
| Other employee benefits | 6,075,378 | 1,152,478 | 7,227,856 |
| Payroll taxes | 1,019,764 | 193,446 | 1,213,210 |
| Fees for services: | | | |
| Legal | - | 651,230 | 651,230 |
| Professional consulting | 7,232,677 | 1,377,653 | 8,610,330 |
| District oversight | - | 675,633 | 675,633 |
| Other fees | - | 317,057 | 317,057 |
| Advertising and promotion | - | 63,112 | 63,112 |
| Office expenses | 54,918 | - | 54,918 |
| Information technology | 189,985 | - | 189,985 |
| Occupancy | 2,113,075 | - | 2,113,075 |
| Travel | - | 11,680 | 11,680 |
| Conferences, conventions, and meetings | 257,461 | - | 257,461 |
| Debt service interest | - | 2,878,499 | 2,878,499 |
| Depreciation | 1,797,079 | - | 1,797,079 |
| Insurance | - | 458,378 | 458,378 |
| Other expenses: | | | |
| Books and supplies | 7,743,092 | - | 7,743,092 |
| Equipment rental and repair | 91,978 | - | 91,978 |
| Special education encroachment | - | 1,337,634 | 1,337,634 |
| Student events | 1,114,106 | - | 1,114,106 |
| Dues and memberships | - | 813,300 | 813,300 |
| Miscellaneous | - | 57,578 | 57,578 |
| Total expenses by function | <u>\$ 73,788,436</u> | <u>\$ 18,732,484</u> | <u>\$ 92,520,920</u> |

The accompanying notes are an integral part of this statement.

Granada Hills Charter
Consolidated Statement of Cash Flows
Year Ended June 30, 2023

| | |
|--|-----------------------------|
| Cash Flows From Operating Activities | |
| Receipts from federal, state, and local contracts and grants | \$ 82,505,036 |
| Receipts from property taxes | 19,343,945 |
| Other cash receipts | 478,641 |
| Payments for salaries, benefits and payroll taxes | (65,423,251) |
| Payments to vendors | (30,340,384) |
| Interest paid | (2,878,499) |
| Net Cash Used For Operating Activities | <u><u>3,685,488</u></u> |
| Cash Flows From Investing Activities | |
| Sale of operating investments | (1,017,547) |
| Purchases of property and equipment | (3,232,064) |
| Net Cash From Investing Activities | <u><u>(4,249,611)</u></u> |
| Cash Flows from Financing Activities | |
| Change in bonds, notes and capital leases | (308,996) |
| Net Cash from Financing Activities | <u><u>(308,996)</u></u> |
| Net Change in Cash and Cash Equivalents | (873,119) |
| Cash and Cash Equivalents, Beginning of Year | <u>39,543,132</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 38,670,013</u></u> |
| Reconciliation of Change in Net Assets to Net Cash | |
| Used For Operating Activities | |
| Change in net assets | \$ 8,525,802 |
| Depreciation | 1,797,079 |
| Adjustments to reconcile change in net assets to net cash: | |
| (Increase) Decrease in assets | |
| Accounts receivable | 5,969,064 |
| Inventory | (42,693) |
| Prepaid expenses | (321,271) |
| Prepaid cost of issuance | 9,539 |
| Lease asset | (49,311,554) |
| Increase (Decrease) in liabilities | |
| Accounts payable - vendors | (5,529,678) |
| Accounts payable - related entity | (410,644) |
| Accounts payable - grantor government | (337,208) |
| Accounts payable - student groups | 468,382 |
| Accrued expenses and other liabilities | (2,246,909) |
| Accrued vacation liability | 108,453 |
| Lease liability | 49,358,082 |
| Unearned revenue | (4,350,956) |
| Net Cash Used For Operating Activities | <u><u>\$ 3,685,488</u></u> |

The accompanying notes are an integral part of this statement.

Granada Hills Charter

Notes to the Consolidated Financial Statements

Year Ended June 30, 2023

A. Principal Activity and Summary of Significant Accounting Policies

Organization

Granada Hills Charter (the School) was formed as a charter school pursuant to California Education Code §47600 under a charter agreement with Los Angeles Unified School District (the District). The School became a nonprofit benefit corporation on October 22, 2010. The charter agreement was approved by Los Angeles Unified School District and submitted to the California Board of Education in May 2003. The charter agreement was subsequently renewed for three additional five-year terms in 2009, 2014 and 2019. The current charter agreement runs through June 30, 2024, but has an extension until 2027 pursuant to California *Education Code* Section 47607.4, which was amended by Senate Bill 114.

Granada Hills Charter is a tuition-free public school serving grades TK-12. The School's mission is to create a community-based high performance model of educational excellence guided by core beliefs, cultural sensitivity, research-based instruction, collaboration, and built-in accountability, that serves the social and academic needs of a diverse student body reflective of the population of the Los Angeles Unified School District and other public schools.

17081 Devonshire LLC (the LLC) was formed in February 2017, as a California limited liability company, whose sole member is Granada Hills Charter. The LLC holds the title for the buildings that are utilized by Granada Hills Charter School.

Basis of Accounting

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The Corporation uses the accrual basis of accounting, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Granada Hills Charter (the School) and the accounts of 17081 Devonshire LLC (the LLC), a California limited liability company, of which the School is the sole member and a related organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivables consist primarily of noninterest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the School.

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

Property and Equipment

The School records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Leases

The School leases facilities and equipment which are utilized in its charitable purpose. The School determines if an arrangement is a lease at inception. Operating leases are included in the operating lease right-of-use assets, other current liabilities, and operating lease liabilities in the Statement of Financial Position. Financing leases are included in the financing lease right-of-use assets, other current liabilities, and financing lease liabilities in the Statement of Financial Position.

Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Our lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School has elected to apply the short-term lease exemption to any leases with terms of 12 months or less or any leases below the threshold of \$5,000.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as whether they have obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

In allocating consideration in the contract to the separate lease components and the non-lease components, the School uses the stand-alone prices of the lease and non-lease components. Observable stand-alone prices are used, if available. If the stand-alone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

Investments

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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

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

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

Revenue and Revenue Recognition

The School recognizes revenue from sales when the products are transferred and services are provided. The School records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. In such cases the revenue is recognized once all performance requirements have been met.

Donated Services and In-Kind Contributions

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

Advertising

Advertising costs are expensed as incurred and approximated \$63,112 during the year ended June 30, 2023.

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

Prepaid Expenses

Prepaid expenses are recorded to account for expenditures during the benefiting period.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2023, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2023.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies.

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes, and education protection account funds paid by the state under Proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 58.82% of the School's revenue.

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

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

New Accounting Guidance

The Financial Accounting Standards Board (FASB) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2022-23 fiscal year:

| Description | Date Issued |
|---|-------------|
| FASB Accounting Standards Update 2016-02 - Leases (Topic 842) | Feb-16 |
| FASB Accounting Standards Update 2018-01 - Leases (Topic 842) | Jan-18 |
| FASB Accounting Standards Update 2018-11 - Leases Targeted Improvements (Topic 842) | Jul-18 |
| FASB Accounting Standards Update 2018-14 - Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20) | Aug-18 |
| FASB Accounting Standards Update 2018-20 - Leases (Topic 842) | Dec-18 |
| FASB Accounting Standards Update 2019-01 - Leases (Topic 842) | Mar-19 |
| FASB Accounting Standards Update 2019-12 - Income Taxes (Topic 740) | Dec-19 |
| FASB Accounting Standards Update 2020-01 - Investments (Topics 321, 323, and 815) | Jan-20 |
| FASB Accounting Standards Update 2020-05 - Revenue from Contracts with Customers (Topic 606) | Jun-20 |
| FASB Accounting Standards Update 2020-05 - Leases (Topic 842) | Jun-20 |
| FASB Accounting Standards Update 2020-08 - Codification Improvements for Receivables (Topic 310-20) | Oct-20 |
| FASB Accounting Standards Update 2021-02 - Franchisors Revenue (Topic 952-606) | Jan-21 |
| FASB Accounting Standards Update 2021-04 - Earnings Per Share (Topic 260) | May-21 |
| FASB Accounting Standards Update 2021-04 - Debt Modifications and Extinguishments (Topic 470-50) | May-21 |
| FASB Accounting Standards Update 2021-04 - Stock Compensation (Topic 718) | May-21 |
| FASB Accounting Standards Update 2021-04 - Derivatives and Hedging (Topic 815-40) | May-21 |

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

| Description | Date Issued |
|--|-------------|
| FASB Accounting Standards Update 2021-05 - Leases (Topic 842) | Jul-21 |
| FASB Accounting Standards Update 2021-07 - Stock Compensation (Topic 718) | Oct-21 |
| FASB Accounting Standards Update 2021-09 - Leases (Topic 842) | Nov-21 |
| FASB Accounting Standards Update 2021-10 - Government Assistance (Topic 832) | Nov-21 |
| FASB Accounting Standards Update 2022-06 - Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848 | Dec-22 |
| FASB Accounting Standards Update 2023-03 - Financial Statement Reporting Amendments to SEC Paragraphs of Multiple Topics | Jul-23 |
| FASB Accounting Standards Update 2023-04 - Liabilities (Topic 405): Amendments to SEC Paragraphs | Aug-23 |

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The School has adopted provisions of effective Accounting Standards Updates. The implementation of these items did not result in a change to financial presentation for the School.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the standard effective July 1, 2022 and made the following elections pursuant to ASC 842:

- The Charter School will adopt using the Effective Date Method allowed by ASU 2018-01.
- The Charter School will use the package of practical expedients.
- The Charter School will not use hindsight in transition

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, statement of functional expenses, or statement of cash flows.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 13, 2023, the date the financial statements were available to be issued.

Granada Hills Charter
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2023

B. Liquidity and Availability

The School's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 38,670,013 |
| Operating investments | 16,694,205 |
| Accounts receivable | 5,655,786 |
| Inventory | <u>66,296</u> |
| Total | <u>\$ 61,086,300</u> |

C. Fair Value Measurement and Disclosures

The Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

A significant portion of the School’s investment assets are classified within Level 1 because they comprise open end mutual funds with readily determinable fair values based on daily redemption values. The School invests in money market and equivalent funds and additionally has funds at the Los Angeles County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2023:

| <u>Assets</u> | <u>Total</u> | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|----------------------|--|---|--|
| Treasury and Operating investments: | | | | |
| Cash in county treasury | \$ 27,234,763 | \$ - | \$ 27,234,763 | \$ - |
| Money market and equivalent funds (at cost) | 17,178,691 | 17,178,691 | - | - |
| Totals | <u>\$ 44,413,454</u> | <u>\$ 17,178,691</u> | <u>\$ 27,234,763</u> | <u>\$ -</u> |

D. Cash and Cash Equivalents

The School’s cash and cash equivalents on June 30, 2023, consisted of the following:

| | Granada Hills Charter | 17081 Devonshire LLC | Total |
|----------------------------|--------------------------|-------------------------|----------------------|
| Cash in county treasury | \$ 27,234,763 | \$ - | \$ 27,234,763 |
| Cash in bank accounts | 10,680,032 | 270,732 | 10,950,764 |
| Investments | 484,486 | 16,694,205 | 17,178,691 |
| Total cash and investments | <u>\$ 38,399,281</u> | <u>\$ 16,964,937</u> | <u>\$ 55,364,218</u> |

Cash in County Treasury

The School is a voluntary participant and therefore maintains a portion of its cash in the Los Angeles County Treasury as part of the common investment pool (\$27,234,763 as of June 30, 2023). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, banker’s acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School’s investment in this pool is reported in the accompanying consolidated financial statements at amounts based upon the School’s pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

Cash Equivalents

The School & LLC maintains a portion of their funds in short term investments with maturities less than three months in length (\$17,178,691 as of June 30, 2023). These cash equivalents consist of United States Government Money Market Funds. These funds are not FDIC insured and are therefore exposed to custodial credit risk. The School does not anticipate any losses as a result of this risk. Cash may be added or withdrawn from the money market accounts without limitation.

Cash in Bank

The remainder of the School and LLC's cash, \$10,950,764, is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2023, the School held \$8,722,226 in excess of the FDIC insured amounts with two institutions. The School also had a payroll account at an institution that holds additional insurance above the FDIC amount to pose no risk to the funds.

E. Accounts Receivable

As of June 30, 2023, the Corporation's accounts receivable consisted of the following:

| | <u>Granada Hills Charter</u> |
|---------------------------|------------------------------|
| Federal Government | |
| ESSER/GEER | \$ 711,127 |
| Child Nutrition | 500,244 |
| 21st Century Assets | 359,907 |
| Workability | 99,568 |
| Other Federal Programs | 238,094 |
| State Government | |
| Special Education | 83,755 |
| Lottery Funding | 166,268 |
| Arts & Music Grant | 1,585,725 |
| Charter Facility Grant | 382,364 |
| Other State Programs | 58,889 |
| Local Government | |
| Property Tax Payments | 880,297 |
| Other Local Sources | |
| Interest | 293,788 |
| ASB Transactions | 15,789 |
| Other Local Sources | 279,971 |
| Total Accounts Receivable | <u>\$ 5,655,786</u> |

Granada Hills Charter
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2023

F. Prepaid Expenses

As of June 30, 2023, the Corporation's prepaid expenses consisted of the following:

| | <u>Granada Hills Charter</u> |
|------------------------|------------------------------|
| Service contracts | \$ 403,682 |
| Software and licenses | 557,202 |
| Total Prepaid Expenses | \$ 960,884 |

G. Property and Equipment

Property and equipment for Granada Hills Charter consisted of the following at June 30, 2023:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 527,402 | \$ - | \$ - | \$ 527,402 |
| Work in Progress | 65,348 | 1,053,203 | - | 1,118,551 |
| Total Non-Depreciable Capital Assets | 592,750 | 1,053,203 | - | 1,645,953 |
| Depreciable Capital Assets | | | | |
| Leasehold Improvements | 2,284,968 | 43,486 | - | 2,328,454 |
| Buildings and Improvements | 10,099,271 | 1,778,896 | - | 11,878,167 |
| Equipment, Furniture, and Fixtures | 4,540,626 | 356,959 | - | 4,897,585 |
| Total Depreciable Capital Assets | 16,924,865 | 2,179,341 | - | 19,104,206 |
| Total Capital Assets | 17,517,615 | 3,232,544 | - | 20,750,159 |
| Less Accumulated Depreciation | (7,847,387) | (741,258) | - | (8,588,645) |
| Capital Assets, Net | 9,670,228 | 2,491,286 | - | 12,161,514 |

Property and equipment for 17081 Devonshire LLC consisted of the following at June 30, 2023:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 5,575,000 | \$ - | \$ - | \$ 5,575,000 |
| Total Non-Depreciable Capital Assets | 5,575,000 | - | - | 5,575,000 |
| Depreciable Capital Assets | | | | |
| Buildings and Improvements | 51,487,930 | - | 480 | 51,487,450 |
| Equipment, Furniture, and Fixtures | 21,568 | - | - | 21,568 |
| Total Depreciable Capital Assets | 51,509,498 | - | 480 | 51,509,018 |
| Total Capital Assets | 57,084,498 | - | 480 | 57,084,018 |
| Less Accumulated Depreciation | (1,476,011) | (1,055,821) | - | (2,531,832) |
| Capital Assets, Net | 55,608,487 | (1,055,821) | 480 | 54,552,186 |

Granada Hills Charter
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2023

Consolidated property and equipment consisted of the following at June 30, 2023:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---------------------------------------|----------------------|--------------------|------------|---------------------|
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 6,102,402 | \$ - | \$ - | \$ 6,102,402 |
| Work in Progress | 65,348 | 1,053,203 | - | 1,118,551 |
| Total Non-Depreciable Capital Assets | <u>6,167,750</u> | <u>1,053,203</u> | <u>-</u> | <u>7,220,953</u> |
| Depreciable Capital Assets | | | | |
| Leasehold Improvements | 2,284,968 | 43,486 | - | 2,328,454 |
| Buildings and Improvements | 61,587,201 | 1,778,896 | 480 | 63,365,617 |
| Equipment, Furniture, and Fixtures | 4,562,194 | 356,959 | - | 4,919,153 |
| Total Depreciable Capital Assets | <u>68,434,363</u> | <u>2,179,341</u> | <u>480</u> | <u>70,613,224</u> |
| Total Capital Assets | 74,602,113 | 3,232,544 | 480 | 77,834,177 |
| Less Accumulated Depreciation | <u>(9,323,398)</u> | <u>(1,797,079)</u> | <u>-</u> | <u>(11,120,477)</u> |
| Capital Assets, Net | <u>65,278,715</u> | <u>1,435,465</u> | <u>480</u> | <u>66,713,700</u> |

H. Unearned Revenue

At year end the School had performance obligations remaining to expend funds for multiple federal and state grants. As such, unexpended cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2023:

| | <u>Granada Hills Charter</u> |
|--|------------------------------|
| Unearned Revenue, beginning of period | \$ 5,079,588 |
| Increases in unearned revenue due to cash received during the period | 45,933 |
| Decreases in unearned revenue due to performance obligations met during the period | <u>(4,396,889)</u> |
| Unearned Revenue, end of period | <u>\$ 728,632</u> |

As of June 30, 2023, unearned revenue consisted of the following:

| | <u>Granada Hills Charter</u> |
|--|------------------------------|
| Federal Programs: | |
| Care Act/ESSER Program | \$ 629,124 |
| American Recovery Plan: Homeless Youth | 3,062 |
| State Programs: | |
| Universal Pre-K Program | <u>96,446</u> |
| Total | <u>\$ 728,632</u> |

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

I. Bonds Payable

On September 24, 2019, 17081 Devonshire LLC, whose sole member is the School, entered into a loan agreement with the California School Finance Authority for the issuance of \$47,845,000 Series 2019 Tax-Exempt School Facility Revenue Bonds. The proceeds were used to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the charter school facilities located at 17081 Devonshire Street, Northridge, CA. The facilities are leased and used by the School.

The 2019 CSFA Bonds were sold at an original issue premium of \$6,951,981 with issuance costs of \$941,792 to be amortized over the life of the debt. Interest is payable semiannually on January 1 and July 1, commencing July 1, 2020.

On August 4, 2021, GHC successfully refinanced the 2017 bonds and closed on the 2021 A&B bonds issued by the California School Finance Authority (CSFA). In addition to the bonds being issued by the CSFA, GHC also received a grant of \$837,500 from CSFA to fund a debt service reserve. The grant is administered through the CSFA's federally funded Credit Enhancement Grant Program. Granada Hills Charter saved over \$1.4 million on a net present value basis and financed \$9,935,352 in new money for additional construction improvements at the Devonshire campus.

The 2021 CSFA Bonds were sold at an original issue premium of \$1,966,390 with issuance costs of \$480,999 to be amortized over the life of the debt. Interest is payable semiannually on January 1 and July 1, commencing January 1, 2022.

Bonds payable consist of the following at June 30, 2023:

| | | |
|--|----|---------------|
| Principal amount | \$ | 61,190,000 |
| Net, unamortized premium and discounts | | 8,879,376 |
| | | \$ 70,069,376 |

Future maturities of bonds payable are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------|---------------|----------------|
| 2024 | \$ 940,000 | \$ 2,869,850 | \$ 3,809,850 |
| 2025 | 980,000 | 2,831,950 | 3,811,950 |
| 2026 | 1,010,000 | 2,792,650 | 3,802,650 |
| 2027 | 1,055,000 | 2,751,950 | 3,806,950 |
| 2028 | 1,095,000 | 2,709,450 | 3,804,450 |
| 2029-2033 | 6,185,000 | 12,825,100 | 19,010,100 |
| 2034-2038 | 7,750,000 | 11,253,900 | 19,003,900 |
| 2039-2043 | 9,755,000 | 9,245,400 | 19,000,400 |
| 2044-2048 | 12,275,000 | 6,712,250 | 18,987,250 |
| 2049-2053 | 11,910,000 | 711,350 | 12,621,350 |
| 2054-2055 | 8,235,000 | 695,250 | 8,930,250 |
| | \$ 61,190,000 | \$ 55,399,100 | \$ 116,589,100 |

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

J. Leases

On March 28, 2017 the School entered into a lease agreement with 17081 Devonshire LLC, a limited liability corporation, of which the School is a sole member and related organization, for use of facilities. The agreement does not contain a purchase option and does not meet the requirements for capitalization. The facility is also capitalized on the LLC's books. As such, the lease has not been recorded on the consolidated statement of financial position. The current agreements provides for monthly payments through the final fiscal year of corresponding bond payments.

The School also leases equipment

The components of the leases were as follows:

| | |
|-------------------------------------|---------------------|
| Operating lease cost | |
| Amortization of right-of-use assets | \$ 2,154,865 |
| Interest on lease liabilities | 1,745,009 |
| Total operating lease cost | <u>3,899,874</u> |
| Short-term lease cost | <u>-</u> |
| Finance lease cost | |
| Amortization of right-of-use assets | - |
| Interest on lease liabilities | - |
| Total finance lease cost | <u>-</u> |
| Total lease expense | <u>\$ 3,899,874</u> |

The following represents additional information related to the School's leases:

| | |
|---|----------------------|
| Right-of-use assets obtained in exchange for lease obligations: | |
| Operating leases | \$ 51,466,419 |
| Finance leases | - |
| Total | <u>\$ 51,466,419</u> |
| Weighted average remaining lease term: | |
| Operating leases | 202 Months |
| Finance leases | N/A |
| Weighted average discount rate: | |
| Operating leases | 3.48% |
| Finance leases | N/A |

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

Future minimum lease payments on the School's leases are as follows:

| Year Ended June 30, | Operating Leases | Financing Leases |
|-------------------------------------|---------------------|---------------------|
| 2024 | \$ 3,908,844 | \$ - |
| 2025 | 3,904,368 | - |
| 2026 | 3,908,160 | - |
| 2027 | 3,906,527 | - |
| 2028 | 3,816,985 | - |
| Thereafter | 45,726,766 | - |
| Total future minimum lease payments | 65,171,650 | - |
| Less imputed interest | (15,813,568) | - |
| Net future minimum lease payments | \$ 49,358,082 | \$ - |

K. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023:

| | |
|--|---------------|
| Restricted for other federal programs | |
| Child Nutrition program | \$ 2,937,979 |
| Restricted for other state programs | |
| Educational Programs | 5,390,775 |
| Expanded Learning Opportunities | 556,041 |
| Learning Recovery Grant | 3,218,882 |
| Restricted for ASB programs | |
| Associated Student Body Funds | 700,672 |
| Restricted for other local programs | |
| Other Local Restricted | 5,542,158 |
| Total net assets with donor restrictions | \$ 18,346,508 |

Net assets released from restriction during the year were:

| | |
|---------------------------------------|---------------|
| Beginning restricted net assets | \$ 6,684,772 |
| Restricted grants received | 16,143,328 |
| Net assets released from restriction: | |
| Restricted purpose satisfied | (4,481,592) |
| Ending restricted net assets | \$ 18,346,508 |

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

L. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the School chooses to stop participating in some of its multi-employer plans, the School may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in these plans for the fiscal year ended June 30, 2023, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2023, 2022 and 2021 is for the plan's year-end at June 30, 2023, 2022 and 2021, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Period to Period Comparability:

Granada Hills Charter increased in CalSTRS contributions from 2021 to 2022 by .97% followed by a decrease in 2023 of 3.67%. Granada Hills Charter increased in CalPERS contributions from 2021 to 2022 by 30.24% followed by an additional increase in 2023 of 23.43%. The periods for STRS are comparable to one another, and the changes in PERS appear to be caused by rising wages, contribution rates, and employment requirements.

| Pension Fund | EIN/ Pension Plan Number | Pension Protection Act Zone Status Year Ended June 30, | | | FIP/RP Status Pending/ Implemented |
|--------------|--------------------------------|--|--------|--------|---|
| | | 2023 | 2022 | 2021 | |
| CalSTRS | 19746 | Green | Green | Yellow | No |
| CalPERS | 7340355290 | Green | Yellow | Yellow | No |

| Pension Fund | Contributions | | | Number of Employees | Surcharge Imposed |
|--------------|---------------|--------------|--------------|------------------------|----------------------|
| | 2023 | 2022 | 2021 | | |
| CalSTRS | \$ 3,739,570 | \$ 3,881,917 | \$ 3,844,605 | 248 | No |
| CalPERS | 2,234,472 | 1,810,377 | 1,390,040 | 230 | No |
| Total | \$ 5,974,042 | \$ 5,692,294 | \$ 5,234,645 | 478 | |

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

CalSTRS:

The School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level of percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2023, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 19.10% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2023 the State contributed \$4,895,076 (10.828% of certificated salaries plus an additional supplemental amount) on behalf of the School.

CalPERS:

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes 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.

Active plan members are required to contribute 7% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022-23 was 25.37% of classified salaries. The School made contributions as noted above.

Granada Hills Charter

Notes to the Consolidated Financial Statements (Continued)

Year Ended June 30, 2023

M. Joint Ventures (Joint Powers Agreements)

The School participates in one joint powers agreement (JPA) entity, the Alliance of Schools for Cooperative Insurance Program (ASCIP). The relationship between the School and the JPA is such that the JPA is not a component unit of the school.

The JPA arranges for and provides for various types of insurances for its member districts and schools as requested. The JPA is governed by a board consisting of one or more representatives from each member. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts and schools beyond their representation on the board. Each member district and school pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

The JPA has budgeting and financial reporting requirements independent of member units and therefore the JPA's financial statements are not presented in these financial statements; however, transactions between the School and the JPA are included in these statements. Audited financial statements for the year ended June 30, 2023 are available upon request of the authority. Financial statements from the JPA are available upon request from the respective agency.

N. Related Party Transactions

Related parties as defined by generally accepted accounting standards include:

1. Affiliates of the entity,
2. Management and members of their immediate families, or
3. Other parties that can significantly influence management or operating policies.

Granada Hills Charter and 17081 Devonshire LLC, are affiliated through common executive management. The LLC holds part of the building and debt on it's books and facilitates the lease for the School.

The following represents material transactions between the affiliated organizations that occurred during the 2022-23 fiscal year:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------------|----------------------|---------------|-------------------|
| Granada Hills Charter | 17081 Devonshire LLC | \$ 3,807,895 | Rent and Interest |

Granada Hills Charter
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2023

O. Upcoming Changes in Accounting Pronouncements

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

| Description | Date Issued | Fiscal Year Effective |
|--|-------------|-----------------------|
| FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i> | Jun-16 | 2023-24 |
| FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill & Other (Topic 350)</i> | Jan-17 | 2023-24 |
| FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i> | Aug-18 | 2024-25 |
| FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i> | Nov-18 | 2023-24 |
| FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i> | Nov-19 | 2024-25 |
| FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i> | Nov-19 | 2023-24 |
| FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i> | Aug-20 | 2024-25 |
| FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i> | Aug-20 | 2024-25 |
| FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i> | Nov-20 | 2025-26 |
| FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i> | Oct-21 | 2024-25 |
| FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i> | Mar-22 | 2024-25 |
| FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures</i> | Mar-22 | 2023-24 |
| FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i> | Jun-22 | 2025-26 |
| FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i> | Sep-22 | 2023-24 |
| FASB Accounting Standards Update 2022-05 - <i>Financial Services - Insurance (Topic 944): Transition for Sold Contracts</i> | Dec-22 | 2025-26 |
| FASB Accounting Standards Update 2023-01 - <i>Leases (Topic 842): Common Control Arrangements</i> | Mar-23 | 2024-25 |
| FASB Accounting Standards Update 2023-02 - <i>Investments (Topic 323): Accounting for Investments in Tax Credit Structures</i> | Mar-23 | 2025-26 |
| FASB Accounting Standards Update 2023-05 - <i>Business Combinations - Joint Venture Formations (Subtopic 805-60)</i> | Aug-23 | 2024-25 |

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the future fiscal years are not expected to impact the financial accounting or presentation for the School.

Supplementary Information

Granada Hills Charter
Consolidating Statement of Financial Position
Year Ended June 30, 2023

| | Granada Hills Charter | 17081 Devonshire LLC | Elimination | Total |
|---|-----------------------|-------------------------|-------------|-----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 38,399,281 | \$ 270,732 | \$ - | \$ 38,670,013 |
| Operating investments | - | 16,694,205 | - | 16,694,205 |
| Accounts receivable | 5,655,786 | - | - | 5,655,786 |
| Inventory | 66,296 | - | - | 66,296 |
| Prepaid expenses | 960,884 | - | - | 960,884 |
| Prepaid cost of issuance | - | 1,413,212 | - | 1,413,212 |
| Property and equipment, net | 12,161,514 | 54,552,186 | - | 66,713,700 |
| Right-of-use assets, operating leases | | | | |
| Facilities and equipment | 51,466,419 | - | - | 51,466,419 |
| Accumulated amortization | (2,154,865) | - | - | (2,154,865) |
| Total Assets | <u>\$ 106,555,315</u> | <u>\$ 72,930,335</u> | <u>\$ -</u> | <u>\$ 179,485,650</u> |
| Liabilities and Net Assets | | | | |
| Liabilities | | | | |
| Accounts payable - vendors | \$ 3,111,075 | \$ 88,515 | \$ - | \$ 3,199,590 |
| Accounts payable - grantor government | 1,384,459 | - | - | 1,384,459 |
| Accounts payable - student groups | 471,195 | - | - | 471,195 |
| Accrued expenses and payroll liabilities | 2,027,172 | - | - | 2,027,172 |
| Accrued vacation liability | 504,279 | - | - | 504,279 |
| Unearned revenue | 728,632 | - | - | 728,632 |
| Operating leases payable | 49,358,082 | - | - | 49,358,082 |
| Bonds and notes payable | - | 70,069,376 | - | 70,069,376 |
| Total Liabilities | <u>57,584,894</u> | <u>70,157,891</u> | <u>-</u> | <u>127,742,785</u> |
| Net Assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 67,820,481 | 18,289,634 | - | 86,110,115 |
| Invested in property and equipment, net of related debt | (37,196,568) | (15,517,190) | - | (52,713,758) |
| | <u>30,623,913</u> | <u>2,772,444</u> | <u>-</u> | <u>33,396,357</u> |
| With donor restrictions | | | | |
| Restricted for other nutrition programs | 2,937,979 | - | - | 2,937,979 |
| Restricted for other state programs | 9,165,699 | - | - | 9,165,699 |
| Restricted for ASB programs | 700,672 | - | - | 700,672 |
| Restricted for other local programs | 5,542,158 | - | - | 5,542,158 |
| | <u>18,346,508</u> | <u>-</u> | <u>-</u> | <u>18,346,508</u> |
| Total Net Assets | <u>48,970,421</u> | <u>2,772,444</u> | <u>-</u> | <u>51,742,865</u> |
| Total Liabilities and Net Assets | <u>\$ 106,555,315</u> | <u>\$ 72,930,335</u> | <u>\$ -</u> | <u>\$ 179,485,650</u> |

See Accompanying Notes to Supplementary Information

Granada Hills Charter
Consolidating Statement of Activities
Year Ended June 30, 2023

| | Granada Hills Charter | | 17081 Devonshire LLC | Elimination | Total |
|--|-------------------------------|----------------------------|-------------------------------|-------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | Without Donor Restrictions | |
| Revenue, Support, and Gains | | | | | |
| Local Control Funding Formula (LCFF) sources | | | | | |
| State aid | \$ 40,525,015 | \$ - | \$ - | \$ - | \$ 40,525,015 |
| Education protection account state aid | 6,320,702 | - | - | - | 6,320,702 |
| Transfers in lieu of property taxes | 19,343,945 | - | - | - | 19,343,945 |
| Total LCFF sources | <u>66,189,662</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>66,189,662</u> |
| Federal contracts and grants | - | 7,900,454 | - | - | 7,900,454 |
| State contracts and grants | 16,470,884 | 8,242,874 | - | - | 24,713,758 |
| Local contracts and grants | 1,740,134 | - | 24,073 | - | 1,764,207 |
| ASB income | - | 598,365 | - | - | 598,365 |
| Rental income | 77,458 | - | 3,811,850 | (3,807,895) | 81,413 |
| Interest income and FMV adjustment | (663,457) | - | 462,320 | - | (201,137) |
| Net assets released from restriction - | | | | | |
| Grant restrictions satisfied | 5,079,957 | (5,079,957) | - | - | - |
| Total revenue, support, and gains | <u>88,894,638</u> | <u>11,661,736</u> | <u>4,298,243</u> | <u>(3,807,895)</u> | <u>101,046,722</u> |
| Expenses and Losses | | | | | |
| Program services expense | 76,540,510 | - | 1,055,821 | (3,807,895) | 73,788,436 |
| Supporting services expense | 15,853,950 | - | 2,878,534 | - | 18,732,484 |
| Total expenses and losses | <u>92,394,460</u> | <u>-</u> | <u>3,934,355</u> | <u>(3,807,895)</u> | <u>92,520,920</u> |
| Change in Net Assets | (3,499,822) | 11,661,736 | 363,888 | | 8,525,802 |
| Net Assets, Beginning of Year | 34,123,735 | 6,684,772 | 2,408,556 | - | 43,217,063 |
| Net Assets, End of Year | <u>\$ 30,623,913</u> | <u>\$ 18,346,508</u> | <u>\$ 2,772,444</u> | <u>\$ -</u> | <u>\$ 51,742,865</u> |

See Accompanying Notes to Supplementary Information

Granada Hills Charter
Consolidating Statement of Functional Expenses
Year Ended June 30, 2023

| | Granada Hills Charter | | 17081 Devonshire LLC | | Elimination | Total |
|--|-----------------------|------------------------|----------------------|------------------------|-----------------------|----------------------|
| | Program Services | Supporting Services | Program Services | Supporting Services | | |
| | Educational Programs | Management and General | Facility Leasing | Management and General | | |
| Salaries and wages | \$ 36,962,881 | \$ 7,011,730 | \$ - | \$ - | \$ - | \$ 43,974,611 |
| Pension expense | 9,136,042 | 1,733,076 | - | - | - | 10,869,118 |
| Other employee benefits | 6,075,378 | 1,152,478 | - | - | - | 7,227,856 |
| Payroll taxes | 1,019,764 | 193,446 | - | - | - | 1,213,210 |
| Fees for services: | | | | | | |
| Legal | - | 651,230 | - | - | - | 651,230 |
| Professional consulting | 7,232,677 | 1,377,653 | - | - | - | 8,610,330 |
| District oversight | - | 675,633 | - | - | - | 675,633 |
| Other fees | - | 317,022 | - | 35 | - | 317,057 |
| Advertising and promotion | - | 63,112 | - | - | - | 63,112 |
| Office expenses | 54,918 | - | - | - | - | 54,918 |
| Information technology | 189,985 | - | - | - | - | 189,985 |
| Occupancy | 5,920,970 | - | - | - | (3,807,895) | 2,113,075 |
| Travel | - | 11,680 | - | - | - | 11,680 |
| Conferences, conventions, and meetings | 257,461 | - | - | - | - | 257,461 |
| Debt service interest | - | - | - | 2,878,499 | - | 2,878,499 |
| Depreciation | 741,258 | - | 1,055,821 | - | - | 1,797,079 |
| Insurance | - | 458,378 | - | - | - | 458,378 |
| Other expenses: | | | | | | |
| Books and supplies | 7,743,092 | - | - | - | - | 7,743,092 |
| Equipment rental and repair | 91,978 | - | - | - | - | 91,978 |
| Special education encroachment | - | 1,337,634 | - | - | - | 1,337,634 |
| Student transportation and events | 1,114,106 | - | - | - | - | 1,114,106 |
| Dues and memberships | - | 813,300 | - | - | - | 813,300 |
| Miscellaneous | - | 57,578 | - | - | - | 57,578 |
| Total expenses by function | <u>\$ 76,540,510</u> | <u>\$ 15,853,950</u> | <u>\$ 1,055,821</u> | <u>\$ 2,878,534</u> | <u>\$ (3,807,895)</u> | <u>\$ 92,520,920</u> |

See Accompanying Notes to Supplementary Information

Granada Hills Charter

LEA Organization Structure

Year Ended June 30, 2023

Granada Hills Charter (#572) was formed as a charter school pursuant to Education Code Section 47600 under an agreement with Los Angeles Unified School District granted in May 2003. In June 2009 the Los Angeles Unified School District renewed the School's charter for a five-year period ending June 30, 2014. In February 2014, the School was again renewed for a five-year period ending June 30, 2019. In September 2018, the School was renewed for a five-year period ending June 30, 2024, but has an extension until 2027 pursuant to California *Education Code* Section 47607.4, which was amended by Senate Bill 114.

The School's mission is to create a community-based high performance model of educational excellence guided by core beliefs, cultural sensitivity, research-based instruction, collaboration and built-in accountability that serves the social and academic needs of a diverse student body reflective of the population of the Los Angeles Unified School District and other public schools.

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term and Term Expiration</u> |
|---------------------|---------------|--|
| Jody Dunlap | Chair | Two Year Term Expires December 2023 |
| Lorene Dixon-Ndife | Member | Two Year Term Expires December 2023 |
| Joan Lewis | Member | Two Year Term Expires December 2024 |
| Jim Salin | Member | Two Year Term Expires December 2024 |
| Supriya Chakravarty | Member | Two Year Term Expires December 2023 |
| Christine Hutton | Member | Two Year Term Expires December 2024 |
| Maribel Ramirez | Member | Two Year Term Expires December 2024 |
| Richard Nolan | Member | Two Year Term Expires December 2024 |
| Luis Cervantes | Member | Two Year Term Expires December 2024 |

ADMINISTRATION

Brian Bauer
Executive Director

Tammy Stanton
Chief Financial Officer

See Accompanying Notes to Supplementary Information

Granada Hills Charter
Schedule of Average Daily Attendance
Year Ended June 30, 2023

| | Second Period Report | | Annual Report | |
|--------------------------------------|----------------------|----------------|----------------------|----------------|
| | Original 27D28DFA | Revised N/A | Original BD9CC53D | Revised N/A |
| Classroom Based Attendance | | | | |
| Grades TK/K-3 | 510.57 | N/A | 512.32 | N/A |
| Grade 6 | 285.52 | N/A | 286.07 | N/A |
| Grades 7-8 | 291.79 | N/A | 291.82 | N/A |
| Grades 9-12 | 4,229.96 | N/A | 4,223.27 | N/A |
| Total Classroom Based Attendance | 5,317.84 | N/A | 5,313.48 | N/A |
| Non-Classroom Based Attendance | | | | |
| Grades 9-12 | 221.52 | N/A | 226.56 | N/A |
| Total Non-Classroom Based Attendance | 221.52 | N/A | 226.56 | N/A |
| Total ADA | 5,539.36 | N/A | 5,540.04 | N/A |

N/A – There were no audit findings which resulted in revision to the ADA.

Granada Hills Charter

Schedule of Instructional Time

Year Ended June 30, 2023

| Grade Level | Annual Minutes Requirement | Actual Minutes Offered | J-13A Minutes | Total Minutes | Number of Actual Days Offered (Traditional) | J-13A Days | Total Instructional Days | Status |
|---------------------------|-------------------------------|------------------------------|------------------|---------------|--|---------------|--------------------------------|----------|
| Transitional Kindergarten | 36,000 | 53,580 | 0 | 53,580 | 180 | 0 | 180 | Complied |
| Kindergarten | 36,000 | 53,580 | 0 | 53,580 | 180 | 0 | 180 | Complied |
| 1st Grade | 50,400 | 53,580 | 0 | 53,580 | 180 | 0 | 180 | Complied |
| 2nd Grade | 50,400 | 53,580 | 0 | 53,580 | 180 | 0 | 180 | Complied |
| 3rd Grade | 50,400 | 53,580 | 0 | 53,580 | 180 | 0 | 180 | Complied |
| 4th Grade | 54,000 | 55,580 | 0 | 55,580 | 180 | 0 | 180 | Complied |
| 5th Grade | 54,000 | N/A | N/A | N/A | N/A | N/A | N/A | Complied |
| 6th Grade | 54,000 | 60,840 | 0 | 60,840 | 180 | 0 | 180 | Complied |
| 7th Grade | 54,000 | 60,840 | 0 | 60,840 | 180 | 0 | 180 | Complied |
| 8th Grade | 54,000 | 60,840 | 0 | 60,840 | 180 | 0 | 180 | Complied |
| 9th Grade | 64,800 | 73,171 | 0 | 73,171 | 180 | 0 | 180 | Complied |
| 10th Grade | 64,800 | 73,171 | 0 | 73,171 | 180 | 0 | 180 | Complied |
| 11th Grade | 64,800 | 72,970 | 0 | 72,970 | 180 | 0 | 180 | Complied |
| 12th Grade | 64,800 | 72,260 | 0 | 72,260 | 180 | 0 | 180 | Complied |

N/A – Granada Hills Charter did not offer Grade 5 during the 2022-23 school year.

See Accompanying Notes to Supplementary Information

Granada Hills Charter
Schedule of Financial Trends & Analysis
Year Ended June 30, 2023

| | Budget 2024 | 2023 | 2022 | 2021 |
|--|----------------------|----------------------|----------------------|----------------------|
| Revenues | \$ 103,536,853 | \$ 101,046,722 | \$ 98,388,217 | \$ 79,128,584 |
| Expenses | 103,594,394 | 92,520,920 | 91,278,698 | 70,928,848 |
| Change in Net Assets | <u>(57,541)</u> | <u>8,525,802</u> | <u>7,109,519</u> | <u>8,199,736</u> |
| Ending Net Assets | <u>\$ 51,685,324</u> | <u>\$ 51,742,865</u> | <u>\$ 43,217,063</u> | <u>\$ 36,107,544</u> |
| Unrestricted Net Assets | <u>\$ 38,229,149</u> | <u>\$ 33,396,357</u> | <u>\$ 36,532,291</u> | <u>\$ 27,335,283</u> |
| Unrestricted net assets as a percentage of total expenses | <u>36.90%</u> | <u>36.10%</u> | <u>40.02%</u> | <u>38.54%</u> |
| Total Long Term Debt | <u>\$ 69,129,376</u> | <u>\$ 70,069,376</u> | <u>\$ 70,378,372</u> | <u>\$ 76,855,722</u> |
| ADA at P2 | <u>5,717</u> | <u>5,539</u> | <u>5,326</u> | <u>4,948</u> |

The School’s ending net assets has increased by \$15,635,321 (43.3%) over the past two fiscal years. The significant increase is in large due to enrollment growth and additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

Average daily attendance (ADA) has increased by 591 over the past two years. As a result of the COVID-19 pandemic there was no reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2023-24 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to decrease by (\$57,541) and ADA is projected to increase by 178 for the 2023-24 fiscal year.

Granada Hills Charter

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2023

| | |
|---|-----------------------------|
| June 30, 2023 annual financial alternative form net assets: | \$ 48,970,418 |
| Adjustments and reclassifications: | |
| Rounding | <u>3</u> |
| Total adjustments and reclassifications | <u>3</u> |
| June 30, 2023 audited financial statements net assets: | <u><u>\$ 48,970,421</u></u> |

Granada Hills Charter
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Federal AL Number | Pass-Through Entity Identifying Number | Subrecipient Expenditures | Federal Expenditures |
|---|-------------------------|---|------------------------------|-------------------------|
| SPECIAL EDUCATION (IDEA) CLUSTER: | | | | |
| U.S. Department of Education | | | | |
| Passed through California Department of Education | | | | |
| IDEA Basic Local Assistance | 84.027 | 13379 | \$ - | \$ 1,505,239 |
| Total Special Education (IDEA) Cluster | | | <u>-</u> | <u>1,505,239</u> |
| CHILD NUTRITION CLUSTER: | | | | |
| U.S. Department of Agriculture | | | | |
| Passed through State Department of Education | | | | |
| National School Lunch Program | 10.553 | 13523 | - | 1,946,332 |
| Total Child Nutrition Cluster | | | <u>-</u> | <u>1,946,332</u> |
| Total U.S. Department of Agriculture | | | <u>-</u> | <u>1,946,332</u> |
| OTHER PROGRAMS | | | | |
| U.S. Department of Education | | | | |
| Passed through State Department of Education | | | | |
| Title I | 84.010 | 14329 | \$ - | \$ 987,352 |
| Carl D Perkins Career & Technical Education | 84.048 | 14894 | - | 119,800 |
| Workability | 84.126 | 10006 | - | 106,260 |
| 21st Century - ASSETS | 84.287 | 14535 | - | 237,400 |
| Title II - Teacher Quality | 84.367 | 14341 | - | 226,761 |
| ARP - Homeless Children and Youth II (ARP HCY II) | 84.425 | 15566 | - | 4,362 |
| ESSER III Learning Loss | 84.425 | 15621 | - | 25,179 |
| ESSER II | 84.425D | 15547 | - | 1,389,701 |
| ESSER III | 84.425D | 15559 | - | 1,124,796 |
| ESSER III | 84.425U | 10155 | - | 227,272 |
| Total Passed through State Department of Education | | | <u>-</u> | <u>4,448,883</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ -</u> | <u>\$ 7,900,454</u> |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Granada Hills Charter

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The School used an indirect cost rate of 5.00% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. No programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the School.

Granada Hills Charter
Notes to Supplementary Information
Year Ended June 30, 2023

A. Purpose of Schedules

Consolidating Statement of Financial Position

This schedule provides a breakdown by entity of the statement of financial position.

Consolidating Statement of Activities

This schedule provides a breakdown by entity of the statement of activities.

Consolidating Statement of Functional Expenses

This schedule provides a breakdown by entity of the statement of functional expenses.

LEA Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

This schedule provides information regarding compliance with Education Code §47612.

Compliance with Education Code §47612 includes the following:

- 1) Charter schools may operate up to 5 tracks for attendance reporting.
- 2) Each track must be operated for a minimum of 175 days.
- 3) Each track must offer the required number of instructional minutes specified in Education Code §47612.5.
- 4) No track shall have less than 55% of its school days before April 15 each school year.

Compliance with Education Code §47612 involves offering a minimum number of annual instructional minutes as defined by grade level.

An LEA that closed due to a qualifying emergency in the 2022-23 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional day requirements. The School did not have an emergency closure and as such there are no credited days to account for on the Schedule of Instructional Time.

Granada Hills Charter
Notes to Supplementary Information (Continued)
Year Ended June 30, 2023

Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the School will not be able to continue operations in the next fiscal year. Based upon the information presented, the School appears to have sufficient reserves to continue operations for the 2023-24 fiscal year.

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

This schedule provides information necessary to reconcile between the audited financial statements and the financial data submitted to the sponsoring school district via the unaudited actual financial report.

Other Independent Auditor's Reports

Independent Auditor's 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*

To the Board of Directors
Granada Hills Charter

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Granada Hills Charter (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a 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 Granada Hills Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

William Hedley King & Co. LLP

El Cajon, California
December 13, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and
on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Granada Hills Charter

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Granada Hills Charter's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Granada Hills Charter's major federal programs for the year ended June 30, 2023. Granada Hills Charter's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Granada Hills Charter 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, 2023.

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 Granada Hills Charter and to meet our other ethical responsibilities, in accordance with 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 compliance for each major federal program. Our audit does not provide a legal determination of Granada Hills Charter's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Granada Hills Charter's 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 Granada Hills Charter's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that 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, it would influence the judgment made by a reasonable user of the report on compliance about Granada Hills Charter's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment 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 Granada Hills Charter's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Granada Hills Charter's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Granada Hills Charter's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 above 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, as defined above. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



El Cajon, California
December 13, 2023

Independent Auditor's Report on State Compliance and on Internal Control over
State Compliance

To the Board of Directors
Granada Hills Charter

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited Granada Hills Charter's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 applicable to the Charter School's statutory requirements identified below for the year ended June 30, 2023.

In our opinion, Granada Hills Charter 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 applicable state programs for the year ended June 30, 2023.

Basis for Opinion on Each Applicable State 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Granada Hills Charter and to meet our other ethical responsibilities, in accordance with 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 compliance for each applicable state program. Our audit does not provide a legal determination of Granada Hills Charter's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Granada Hills Charter's state 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 Granada Hills Charter's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that 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, it would influence the judgment made by a reasonable user of the report on compliance about Granada Hills Charter’s compliance with the requirements of each applicable state program as a whole.

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

- Exercise professional judgment 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 Granada Hills Charter’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Granada Hills Charter’s internal control over state 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 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Granada Hills Charter’s internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the Charter School’s compliance with the state laws and regulations applicable to the following items:

| | <u>Procedures Performed</u> |
|---|---------------------------------|
| <u>School Districts, County Offices of Education, and Charter Schools</u> | |
| T. California Clean Energy Jobs Act..... | Yes |
| U. After/Before School Education and Safety Program..... | N/A |
| V. Proper Expenditure of Education Protection Account Funds..... | Yes |
| W. Unduplicated Local Control Funding Formula Pupil Counts..... | Yes |
| X. Local Control and Accountability Plan..... | Yes |
| Y. Independent Study - Course Based..... | N/A |
| Z. Immunizations..... | Yes |
| AZ. Educator Effectiveness..... | Yes |
| BZ. Expanded Learning Opportunities Grant (ELO-G)..... | Yes |
| CZ. Career Technical Education Incentive Grant..... | Yes |
| EZ. Transitional Kindergarten..... | Yes |
| <u>Charter Schools</u> | |
| AA. Attendance..... | Yes |
| BB. Mode of Instruction..... | Yes |
| CC. Nonclassroom Based Instruction/Independent Study..... | Yes |
| DD. Determination of Funding for Nonclassroom Based Instruction..... | N/A |
| EE. Annual Instructional Minutes - Classroom Based..... | Yes |
| FF. Charter School Facility Grant Program..... | N/A |

The term N/A is used above to mean either the School did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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 and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over State Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Compliance section above 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, as defined above. 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 Audit Guide. Accordingly, this report is not suitable for any other purpose.



El Cajon, California
December 13, 2023

Auditor's Results, Findings & Recommendations

Granada Hills Charter

Schedule of Auditor's Results

Year Ended June 30, 2023

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Compliance supplement utilized for single audit May 2023

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes X No

Identification of major programs:

| <u>AL Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 10.553 | Child Nutrition Cluster |

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

STATE PROGRAMS

Type of auditor's report issued on compliance for state programs: Unmodified

Internal control over applicable state programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Any audit findings disclosed that are required to be reported in accordance with *2022-23 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting?* Yes X No

Granada Hills Charter

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are 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 |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

None

Granada Hills Charter
Schedule of Prior Year Audit Findings
Year Ended June 30, 2023

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