



ANNUAL FINANCIAL REPORT
JUNE 30, 2019

New Horizons Charter Academy



NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
New Horizons Charter Academy
(A California Nonprofit Public Benefit Corporation)
North Hollywood, California

Report on the Financial Statements

We have audited the accompanying financial statements of New Horizons Charter Academy (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Charter School, as of June 30, 2019, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 13, 2019



FINANCIAL STATEMENTS

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	<u>New Horizons Charter Academy</u>	<u>New Horizons High School</u>	<u>Elimination</u>	<u>Total</u>
Current Assets				
Cash	\$ 334,022	\$ -	\$ -	\$ 334,022
Accounts receivable	458,311	-	-	458,311
Due from related parties	-	50,000	(50,000)	-
Prepaid expenses	93,971	-	-	93,971
Total Current Assets	<u>886,304</u>	<u>50,000</u>	<u>(50,000)</u>	<u>886,304</u>
Non-Current Assets				
Property and Equipment	167,119	-	-	167,119
Less: Accumulated depreciation	<u>(84,418)</u>	<u>-</u>	<u>-</u>	<u>(84,418)</u>
Total Non-Current Assets	<u>82,701</u>	<u>-</u>	<u>-</u>	<u>82,701</u>
Total Assets	<u><u>969,005</u></u>	<u><u>50,000</u></u>	<u><u>(50,000)</u></u>	<u><u>969,005</u></u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 362,048	\$ -	\$ -	\$ 362,048
Due to related parties	50,000	-	(50,000)	-
Deferred revenue	14,399	-	-	14,399
Current portion of note payable	50,008	-	-	50,008
Total Current Liabilities	<u>476,455</u>	<u>-</u>	<u>(50,000)</u>	<u>426,455</u>
NET ASSETS				
Without donor restrictions				
Designated	11,226	-	-	11,226
Undesignated	481,324	50,000	-	531,324
Total Net Assets	<u>492,550</u>	<u>50,000</u>	<u>-</u>	<u>542,550</u>
Total Liabilities and Net Assets	<u><u>\$ 969,005</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ (50,000)</u></u>	<u><u>\$ 969,005</u></u>

The accompanying notes are an integral part of these financial statements.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	New Horizons Charter Academy	New Horizons High School	Total
REVENUES			
Local Control Funding Formula			
State apportionment	\$ 2,130,429	\$ -	\$2,130,429
In-lieu property taxes	718,499	-	718,499
Federal revenue	350,582	-	350,582
State revenue	749,664	-	749,664
Local revenues	64,274	50,000	114,274
Interest	228	-	228
Total Revenue	<u>4,013,676</u>	<u>50,000</u>	<u>4,063,676</u>
EXPENSES			
Program services	3,696,647	-	3,696,647
Management and general	531,202	-	531,202
Total Expenses	<u>4,227,849</u>	<u>-</u>	<u>4,227,849</u>
CHANGE IN NET ASSETS	(214,173)	50,000	(164,173)
NET ASSETS, BEGINNING OF YEAR	706,723	-	706,723
NET ASSETS, END OF YEAR	<u>\$ 492,550</u>	<u>\$ 50,000</u>	<u>\$ 542,550</u>

The accompanying notes are an integral part of these financial statements.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>New Horizons Charter Academy</u>	<u>New Horizons High School</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (214,173)	\$ 50,000
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation expense	24,320	
Changes in operating assets and liabilities		
Decrease in accounts receivable	(42,579)	
Increase in due from related parties	-	(50,000)
Increase in prepaid expenses	(29,382)	
Decrease in deferred revenue	(12,678)	
Increase in accounts payable	113,970	
Decrease in due to related parties	50,000	
Net Cash Used for Operating Activities	<u>(110,522)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Revolving loan payments	<u>(36,750)</u>	<u>-</u>
CHANGE IN NET ASSETS	(147,272)	-
CASH, BEGINNING OF YEAR	481,294	-
CASH, END OF YEAR	<u>\$ 334,022</u>	<u>\$ -</u>
Supplemental cash flow disclosure:		
Cash paid during the period for interest	<u>\$ 333</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Personnel			
Salaries and wages	1,730,045	114,560	\$ 1,844,605
Employee benefits	222,257	12,791	235,048
Payroll taxes	513,948	5,726	519,674
Total Personnel	<u>2,466,250</u>	<u>133,077</u>	<u>2,599,327</u>
Operating			
Fees for services	184,415	63,865	248,280
Information technology	31,697	44,803	76,500
Occupancy	424,084	804	424,888
Travel	-	12,475	12,475
Conferences and meeting	-	12,597	12,597
Interest	-	333	333
Depreciation	24,320	-	24,320
Insurance	-	34,923	34,923
Other expenses	27,218	199,836	227,054
Capital outlay	51,642	-	51,642
Special education	248,549	-	248,549
Instructional materials	49,774	-	49,774
Nutrition	188,698	-	188,698
District oversight fee	-	28,489	28,489
Total Operating	<u>1,230,397</u>	<u>398,125</u>	<u>1,628,522</u>
Total Functional Expenses	<u>\$ 3,696,647</u>	<u>\$ 531,202</u>	<u>\$ 4,227,849</u>

The accompanying notes are an integral part of these financial statements.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING PRINCIPLES

Organization

The New Horizons Charter Academy (the Charter School) is a non-profit public benefit corporation and was approved for a charter by the Los Angeles Unified School District on November 30, 2017 for a period of five years ending in 2023.

Charter school number authorized by the State: 1567

The Charter School located at 5955 Lankershim Blvd., North Hollywood, California, 91601, opened on August 5, 2013, and currently serves approximately 342 students in grades kindergarten through eight. The Charter School believes every student is gifted, and provides all of their students with a rigorous and comprehensive, multi-disciplinary standards based instructional program in all content areas. We value each one of our community members and will build on the cultural and linguistic background of each individual. The Charter School's educational focus will be to provide all of our students with academic equity and solid foundations in science education, technology, and oral and written academic English skills so they become college prepared and career ready.

Cash and Cash Equivalents

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

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

Property and Equipment

Property and equipment additions over \$1,000 are recorded 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 remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The Charter 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, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Corporation’s policy is to designate funds without restrictions at the discretion of the board of the directors. The board of directors has designated net assets without donor restrictions for the following uses:

Designated for Discretionary State Grants- Amounts remaining from annual spendable income of board-designated funds for discretionary grants.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter School reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student’s average daily attendance (ADA) in its school. The Charter School receives federal grants, which are paid through the California Department of Education or other federal and state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

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 are not recognized until the conditions on which they depend have been substantially met.

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development 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. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

The Charter School is a California nonprofit public benefit corporation that is exempt from income taxes under Section 501c(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Charter School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Charter School is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Charter School determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Charter 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

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Charter School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Charter School's mission.

Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Charter School for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Change in Accounting Principle

As of July 1, 2018, the Charter School adopted the provisions of Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Charter School donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Charter School's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Charter School's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Charter School has elected not to present comparative information for these amendments.

The Charter School has adopted this standard as management believes the standard improves the usefulness and understandability of the Charter School financial reporting.

Adjustments Resulting from Change in Accounting Principle

As disclosed above, the Charter School adopted the provisions of ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Charter School's June 30, 2018 financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 706,723	\$ (706,723)	\$ -
Net assets without donor restrictions	-	706,723	706,723

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprises the following:

Cash	\$	334,022
Accounts receivable and other assets		552,282
		<u>\$ 886,304</u>

NOTE 3 - CASH

Cash consists of the following at June 30, 2019:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Deposits		
Cash on hand and in banks	<u>\$ 334,022</u>	<u>\$ 376,411</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Charter School maintains its cash in bank deposit accounts that at times may exceed insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2019, the Charter School had \$126,411 in excess of insured limits

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2019:

Local Control Funding Formula	\$	188,338
Federal receivable		29,544
State receivable		165,610
Lottery		31,097
Other local receivable		43,722
Total Accounts Receivable		<u>\$ 458,311</u>

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - PREPAID EXPENSES

Prepaid expenses consists of the following at June 30, 2019:

Prepaid rent, insurance, and miscellaneous vendors	<u><u>\$ 93,971</u></u>
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NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Improvement of sites	\$ 13,558
Furniture, Fixtures, and Equipment	136,211
Computer Equipment	17,350
Less: accumulated depreciation	<u>(84,418)</u>
Total Property and Equipment	<u><u>\$ 82,701</u></u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2019:

Salaries and benefits	\$ 49,698
Compensated absences	2,143
Vendor payables	110,014
Due to grantor	<u>200,193</u>
Total Accounts Payable	<u><u>\$ 362,048</u></u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2019:

Deferred rent expense	\$ 13,248
Federal categorical aid	<u>1,151</u>
Total	<u><u>\$ 14,399</u></u>

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS

Charter School Revolving Loan Fund Program

The Charter School applied for, and was accepted into the California School Finance Authority Charter School Revolving Loan Fund Program. The Charter School received a loan in the amount of \$250,000. The loan bears an interest rate of 0.25 percent and will be repaid during the months of September, October, November, December, January, and March of each year.

The loan matures in March 2020 as follows:

Repayment Year	Principal	Interest	Total
<u>June 30,</u> <u>2020</u>	<u>\$ 50,008</u>	<u>\$ 84</u>	<u>\$ 50,092</u>

NOTE 10 - RELATED PARTY OPERATING LEASE

The Charter School entered into a lease agreement with Dharma Holdings, LLC on August 1, 2013, for the use of the property located at 5955 Lankershim Blvd., North Hollywood, California, 91601. The term of the lease expires on July 31, 2019. Lease expense for 2018-2019 was \$282,775.

NOTE 11 – FACILITIES USE AGREEMENT

During the 2016-2017 fiscal year, the Charter School entered into a Prop 39 agreement with LAUSD to open a second location. The new location, Fair Avenue Elementary School, is located in North Hollywood at 6501 Fair Avenue, and will be serving grades five through eight.

The terms of this agreement are renewed annually and include rental fees that shall be paid on the first of each month. The pro-rata share of facilities costs for the year ended June 30, 2019, were \$108,742.

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 – NET ASSETS

Net assets consist of the following at June 30, 2019:

Net Assets without Donor Restrictions	
Designated for Low performing student block grant	\$ 7,904
Designated for Classified School Employee	
Professional Development Block Grant	3,322
Unrestricted	531,324
Total Net Assets With Donor Restrictions	<u>542,550</u>

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

NEW HORIZONS CHARTER ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Charter School contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the Charter School's total contributions were \$234,685.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the Charter School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$221,905 (9.828 percent of salaries subject to CalSTRS and SB 90 contributions). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.2456 billion for CalSTRS and \$904 million for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, both amounts have been recorded in these financial statements.

NOTE 14 - CONTINGENCIES

The Charter School has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

The Charter School is not currently a party to any legal proceedings.

NOTE 15 - SUBSEQUENT EVENTS

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial.



SUPPLEMENTARY INFORMATION

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The New Horizons Charter Academy (the Charter School) (Charter School No. 1567) was granted on April 16, 2013, by the Los Angeles Unified School District and opened on August 5, 2013. The Charter School operates two schools, grades kindergarten through eight.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM</u>
Stuart Cano	Chair	June 30, 2021
Dr. Christine Duran	Secretary	August 18, 2020
Dr. Mario Castaneda	Member	June 30, 2021
Stephen Rinka	Member	November 28, 2020
David Sams	Member	November 28, 2020

ADMINISTRATION

Richard Thomas	Executive Director/Principal
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See accompanying note to supplementary information.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	145.00	144.31
Fourth through sixth	91.60	91.59
Seventh through eight	45.84	45.93
Total Regular ADA	<u>282.44</u>	<u>281.83</u>
Classroom based ADA		
Transitional kindergarten through third	145.00	144.31
Fourth through sixth	91.60	91.59
Seventh through eight	45.84	45.93
Total Classroom Based ADA	<u>282.44</u>	<u>281.83</u>

The Charter School did not operate a Non-Classroom Based Instruction program.

See accompanying note to supplementary information.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	50,140	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,465	180	N/A	Complied
Grade 2		52,465	180	N/A	Complied
Grade 3		52,465	180	N/A	Complied
Grade 4 - 6	54,000				
Grade 4		61,305	180	N/A	Complied
Grade 5		61,305	180	N/A	Complied
Grade 6		61,305	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		61,305	180	N/A	Complied
Grade 8		61,305	180	N/A	Complied

See accompanying note to supplementary information.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.



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***

Governing Board
New Horizons Charter Academy
(A California Nonprofit Public Benefit Corporation)
North Hollywood, California

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 New Horizons Charter Academy (the Charter School) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expense for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School'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 determination of financial statement amounts. 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 Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 13, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
New Horizons Charter Academy
(A California Nonprofit Public Benefit Corporation)
North Hollywood, California

Report on State Compliance

We have audited New Horizons Charter Academy's (the Charter School) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Charter School's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Charter School's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

Unmodified Opinion

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested 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>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes, see below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Charter School received funding related to California Clean Energy Jobs Act, but did not spend any monies; therefore, we did not perform any related procedures.

The Charter School does not operate a Before School Education and Safety Program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

The Charter School does not operate Independent Study - Course Based instruction; therefore, we did not perform any related procedures.

The Charter School does not offer Non Classroom-Based Instruction/Independent Study; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

Eide Sully LLP

Rancho Cucamonga, California
December 13, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

NEW HORIZONS CHARTER ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year's schedule of financial statement findings.