



Financial Statements  
June 30, 2021

**New Horizons Charter Academy**  
**Charter No. 1567**

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## Independent Auditor's Report

Governing Board  
New Horizons Charter Academy  
North Hollywood, California

### Report on the Financial Statements

We have audited the accompanying financial statements of New Horizons Charter Academy (the Organization) (a California Nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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. 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 Organization'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 Organization'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 Organization, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 16-21 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information on pages 16-21 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 January 28, 2022, on our consideration of the Organization'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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
January 28, 2022

New Horizons Charter Academy  
Statement of Financial Position  
June 30, 2021

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Assets

Current assets

Cash	\$ 910,696
Accounts receivable	1,005,229
Prepaid expenses	<u>118,336</u>

Total current assets	<u>2,034,261</u>
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Non-current Assets

Security deposit	24,000
Property and equipment, net	<u>74,613</u>

Total non-current assets	<u>98,613</u>
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Total assets	<u><u>\$ 2,132,874</u></u>
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Liabilities

Current Liabilities

Accounts payable	\$ 90,598
Accrued liabilities	225,795
Note payable	96,600
Refundable advance	183,575
Deferred rent	<u>22,154</u>

Total Liabilities	<u>618,722</u>
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Net Assets

Without donor restrictions	<u>1,514,152</u>
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Total liabilities and net assets	<u><u>\$ 2,132,874</u></u>
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# New Horizons Charter Academy

## Statement of Activities

Year Ended June 30, 2021

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Revenues	
Local Control Funding Formula	\$ 2,965,824
Federal revenue	545,055
Other State revenue	829,097
PPP loan forgiveness revenue	374,112
Local revenues	30,420
Fundraising revenue	<u>5,210</u>
Total support and revenues	<u>4,749,718</u>
Expenses	
Program services	3,159,886
Management and general	<u>609,471</u>
Total expenses	<u>3,769,357</u>
Change in Net Assets	980,361
Net Assets, Beginning of Year	<u>533,791</u>
Net Assets, End of Year	<u><u>\$ 1,514,152</u></u>

# New Horizons Charter Academy

## Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 1,249,027	\$ 212,125	\$ 1,461,152
Employee benefits	416,162	51,116	467,278
Payroll taxes	53,187	9,033	62,220
Fees for services	235,125	166,367	401,492
Advertising and promotions	-	460	460
Office expenses	120,509	31,743	152,252
Information technology	107,831	7,118	114,949
Occupancy	344,210	58,454	402,664
Conferences and meeting	11,710	-	11,710
Interest	-	4,729	4,729
Depreciation	14,803	2,514	17,317
Insurance	47,791	8,116	55,907
Other expenses	234,819	5,051	239,870
Special education	240,502	22,987	263,489
Instructional materials	53,627	-	53,627
Nutrition	30,583	-	30,583
District oversight fee	-	29,658	29,658
Total functional expenses	<u>\$ 3,159,886</u>	<u>\$ 609,471</u>	<u>\$ 3,769,357</u>

# New Horizons Charter Academy

## Statement of Cash Flows

Year Ended June 30, 2021

Operating Activities	
Change in net assets	\$ 980,361
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation expense	17,317
Changes in operating assets and liabilities	
Accounts receivable	(499,630)
Prepaid expenses	(49,972)
Accounts payable	(131,969)
Accrued liabilities	(23,149)
Deferred rent	2,703
Refundable advance	179,184
Net Cash from (used for) Operating Activities	<u>474,845</u>
Investing Activities	
Purchases of property and equipment	<u>(20,843)</u>
Financing Activities	
Proceeds from issuance of notes	<u>96,600</u>
Net Change in Cash	550,602
Cash, Beginning of Year	<u>360,094</u>
Cash, End of Year	<u>\$ 910,696</u>
Supplemental Cash Flow Disclosure	
Cash paid during the period for interest	<u>\$ 4,729</u>



## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization**

New Horizons Charter Academy (the Organization) was incorporated in the State of California in July 19, 2012 as a nonprofit public benefit corporation that is organized under the Nonprofit Public Benefit Corporation Law exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code of 1954. The Charter School was approved by the State of California Department of Education on July 11, 2013. The Charter School opened in 2013 and currently serves approximately 295 students in grades kindergarten through eight. On November 30, 2017, the Charter School was renewed by Los Angeles Unified School District for five years ending 2023.

Charter school number authorized by the State: 1567

Mission: "New Horizons Charter Academy is committed to providing our students with a comprehensive education that will give them the skills to succeed in the 21st century. These skills include the ability to think critically, work collaboratively, and tackle challenges using creativity and technology."

### **Basis of Accounting**

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

### **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 with Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have net assets with donor restrictions for the year ended June 30, 2021.

**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. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2021 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

**Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is 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 is 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.

The Organization 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, 2021.

**Deferred Rent**

The Organization recognizes escalating rent provisions on a straight-line basis over the lease term. The difference between the rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

**Revenue and Revenue Recognition**

Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$800,065 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred, with an advance payment of \$183,575 recognized in the statement of financial position as a refundable advance.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Organization would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The Organization was granted a \$374,112 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$374,112 as PPP loan forgiveness revenue for the year ended June 30, 2021.

### **Functional Allocation of Expenses**

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. 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 present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

### **Income Taxes**

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under 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. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization 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.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Accordingly, actual results could differ from those estimates.

**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 management 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 is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

**Recent Accounting Pronouncements**

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases. The ASU is effective for the Organization for the year ended June 30, 2023. Management is evaluating the impact of the adoption of this standard.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*, which requires a nonprofit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The ASU is effective for the Organization for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

**Change in Accounting Principle**

As of July 1, 2020, the Organization adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization has adopted this ASU as of July 1, 2020. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statement disclosures.

## Note 2 - Liquidity and Availability

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	\$ 910,696
Accounts receivable	<u>1,005,229</u>
Total	<u>\$ 1,915,925</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

## Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2021:

Building improvements	\$ 13,558
Computer and equipment	<u>188,977</u>
	202,535
Less accumulated depreciation	<u>(127,922)</u>
Total	<u>\$ 74,613</u>

## Note 4 - Notes Payable

Note payable, principal and interest at 10.0%, collateralized by the amounts constituting 20% of the first principal apportionment that is the LCFF State Aid portion of such School's total general purpose entitlement apportioned pursuant to Education Code Section 14041(a)(3), payable with respect to the month of February 2021, approximately 48.72% of which is currently deferred to November 2021 pursuant to Education Code Section.

\$ 96,600

**Note 5 - Operating Lease**

The Organization entered into a lease agreement with Dharma Holdings. LLC on August 8, 2018, for the use of the property located at 5955 Lankershim Blvd., North Hollywood, California, 91601. The term of this agreement expires on July 31, 2023. Lease expense for the fiscal year ending June 30, 2021 was \$299,750, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2022	\$ 308,250
2023	317,492
2024	26,522
Total	<u>\$ 652,264</u>

**Note 6 - Facilities Use Agreement**

During fiscal year 2016-2017, the Organization entered into a Prop 39 agreement with Los Angeles Unified School District (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. Total annual Pro Rata Share for the year ending June 30, 2021, was \$92,325.

**Note 7 - 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).

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 Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

The details of the plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

The Organization 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, 2019, 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>.

#### **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% 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 Organization 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	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	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

### Contributions

Required member, Organization, 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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the Organization's total contributions were \$184,268.

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Organization. These payments consist of State General Fund contributions to CalSTRS in the amount of \$124,722 (10.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

### Note 8 - Contingencies, Risks, and Uncertainties

The Organization 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.

The Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Organization's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



**Note 9 - Subsequent Events**

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through January 28, 2022, 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 statements.

Assembly Bill 130 approved on July 9, 2021 extends the terms of all charter schools whose terms expire on or between January 1, 2022 and June 30, 2025, inclusive, by two years. No action is required of charter authorizers or charter schools for this extension.



Supplementary Information  
June 30, 2021

## New Horizons Charter Academy

## ORGANIZATION

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

## GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
David Sams	Chair	November 28, 2022
Dr. Christina Duran	Secretary	August 18, 2022
Dr. Mario Castanda	Member	June 30, 2023
Ilana Youngheim	Member	June 22, 2023
Arsen Alekyan	Member	October 26, 2023

## ADMINISTRATION

Richard Thomas	Executive Director/Principal
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# New Horizons Charter Academy

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days Traditional Calendar	Number of Actual Days Multitrack Calendar	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	180	N/A	180	-	Complied
Grades 1 - 3					
Grade 1	180	N/A	180	-	Complied
Grade 2	180	N/A	180	-	Complied
Grade 3	180	N/A	180	-	Complied
Grades 4 - 6					
Grade 4	180	N/A	180	-	Complied
Grade 5	180	N/A	180	-	Complied
Grade 6	180	N/A	180	-	Complied
Grades 7 - 8					
Grade 7	180	N/A	180	-	Complied
Grade 8	180	N/A	180	-	Complied

New Horizons Charter Academy  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2021

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	<u>New Horizons Charter Academy</u>
Net Assets	
Balance, June 30, 2021, Unaudited Actuals	\$ 1,491,030
Decrease in	
Prepaid expenses	<u>(13,600)</u>
Increase in	
Accounts receivable	<u>149</u>
Balance, June 30, 2021, Audited Financial Statements	<u><u>\$ 1,477,579</u></u>

New Horizons Charter Academy  
Combining Statement of Financial Position  
June 30, 2021

	New Horizons Charter Academy	New Horizons High School	Elimination	Total
<b>Assets</b>				
Current assets				
Cash	\$ 910,696	\$ -	\$ -	\$ 910,696
Accounts receivable	1,005,229	-	-	1,005,229
Intercompany receivable	-	36,573	(36,573)	-
Prepaid expenses	118,336	-	-	118,336
Total current assets	<u>2,034,261</u>	<u>36,573</u>	<u>(36,573)</u>	<u>2,034,261</u>
Non-current Assets				
Security deposit	24,000	-	-	24,000
Property and equipment, net	74,613	-	-	74,613
Total non-current assets	<u>98,613</u>	<u>-</u>	<u>-</u>	<u>98,613</u>
Total assets	<u><u>\$ 2,132,874</u></u>	<u><u>\$ 36,573</u></u>	<u><u>\$ (36,573)</u></u>	<u><u>\$ 2,132,874</u></u>
<b>Liabilities</b>				
Current Liabilities				
Accounts payable	\$ 90,598	\$ -	\$ -	\$ 90,598
Accrued liabilities	225,795	-	-	225,795
Note payable	96,600			96,600
Refundable advance	183,575			183,575
Deferred rent	22,154	-	-	22,154
Intercompany payable	36,573	-	(36,573)	-
Total Liabilities	<u>655,295</u>	<u>-</u>	<u>(36,573)</u>	<u>618,722</u>
<b>Net Assets</b>				
Without donor restrictions	<u>1,477,579</u>	<u>36,573</u>	<u>-</u>	<u>1,514,152</u>
Total liabilities and net assets	<u><u>\$ 2,132,874</u></u>	<u><u>\$ 36,573</u></u>	<u><u>\$ (36,573)</u></u>	<u><u>\$ 2,132,874</u></u>

New Horizons Charter Academy  
Combining Statement of Activities  
June 30, 2021

	New Horizons Charter Academy <u>Without donor Restrictions</u>	New Horizons High School <u>Without donor Restrictions</u>	<u>Total</u>
Revenues			
Local Control Funding Formula	\$ 2,965,824	\$ -	\$ 2,965,824
Federal revenue	545,055	-	545,055
Other State revenue	829,097	-	829,097
Interest	374,112	-	374,112
Local revenues	30,420	-	30,420
Fundraising revenue	5,210	-	5,210
	<u>4,749,718</u>	<u>-</u>	<u>4,749,718</u>
Total support and revenues			
Expenses			
Program services	3,159,886	-	3,159,886
Management and general	609,471	-	609,471
	<u>3,769,357</u>	<u>-</u>	<u>3,769,357</u>
Total expenses			
Change in Net Assets	980,361	-	980,361
Net Assets, Beginning of Year	497,218	36,573	533,791
Net Assets, End of Year	<u>\$ 1,477,579</u>	<u>\$ 36,573</u>	<u>\$ 1,514,152</u>

**Note 1 - Purpose of Supplementary Schedules**

**Local Education Agency Organization Structure**

This schedule provides information about the Organization's operations, members of the governing board, and members of the administration.

**Schedule of Instructional Time**

This schedule presents information on the number of instructional days offered on the traditional calendar and on any multitrack calendars by the Organization and whether the Organization complied with the provisions of *Education Code* section 47612.

**Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial statements.

**Combining Statements**

The combining statement of financial position and combining statement of activities are included to provide information regarding the individual programs of the charter schools within the Organization and are presented on the accrual basis of accounting. Eliminating entries in the combining statement of financial position and combining statement of activities are for activities between each charter school.





Independent Auditor's Reports  
June 30, 2021

## New Horizons Charter Academy



**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  
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 Organization), which comprise the statement of financial position as of June 30, 2021, and the related statement 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 January 28, 2022.

**Internal Control over Financial Reporting**

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

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
January 28, 2022



## Independent Auditor's Report on State Compliance

Governing Board  
New Horizons Charter Academy  
North Hollywood, California

### Report on State Compliance

We have audited New Horizons Charter Academy's (the Organization) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the Organization's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the Organization's compliance.

## Compliance Requirements Tested

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS (EXCEPT AS STATED IN ATTENDANCE AND DISTANCE LEARNING AND INSTRUCTIONAL TIME)</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Instructional Time	Yes
Instructional Materials	No, see below
Ratio 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
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	Yes

Programs listed above for "Local Education Agencies Other Than Charter Schools except as stated in Attendance and Distance Learning and Instructional Time" are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because the Organization did not receive funding for this program.

The Organization does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Organization was not classified as Nonclassroom-Based.

***Unmodified Opinion***

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
January 28, 2022



Schedule of Findings and Questioned Costs  
June 30, 2021

## New Horizons Charter Academy

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**STATE COMPLIANCE**

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.