



Financial Statements (Reissued)
June 30, 2022

New Horizons Charter Academy
Charter No. 1567

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Independent Auditor's Report (Reissued)

Governing Board
New Horizons Charter Academy
North Hollywood, California

Report on the Financial Statements

Opinion

We have audited the 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, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restatement and Reissuance

As discussed in Note 9, subsequent to the issuance of the Organization's 2022 financial statements and our report thereon dated February 22, 2023, we became aware that those financial statements contained an error resulting in understated revenues for the year ended June 30, 2022. In our original report we expressed an unmodified opinion on the 2022 financial statements, and our opinion on the revised statements, as expressed herein, remains unmodified.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information on pages 16-23 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Subsequent to the issuance of the Organization's 2022 financial statements and our report thereon dated February 22, 2023, we became aware that the schedule of expenditures of federal awards was missing a program for the year ended June 30, 2022. In our original report we expressed an opinion that the schedule of expenditures of federal awards was fairly stated in all material respects in relation to the financial statements as a whole, and our opinion on the revised statements, as expressed herein, remains unmodified.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 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

February 22, 2023, except for Note 9 and our in-relation-to opinion on our report on the schedule of expenditures of federal awards, which is as of March 4, 2025

New Horizons Charter Academy
Statement of Financial Position (Restated)
June 30, 2022

Assets

Current assets

Cash	\$ 1,851,084
Receivables	873,780
Prepaid expenses	<u>85,064</u>

Total current assets	<u>2,809,928</u>
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Non-current Assets

Security deposit	24,000
Property and equipment, net	<u>73,260</u>

Total non-current assets	<u>97,260</u>
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Total assets	<u><u>\$ 2,907,188</u></u>
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Liabilities

Current Liabilities

Accounts payable	\$ 95,632
Accrued liabilities	517,879
Refundable advance	302,539
Deferred rent	<u>16,357</u>

Total Liabilities	<u>932,407</u>
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Net Assets

Without donor restrictions	<u>1,974,781</u>
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Total liabilities and net assets	<u><u>\$ 2,907,188</u></u>
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New Horizons Charter Academy
Statement of Activities (Restated)
Year Ended June 30, 2022

Revenues	
Local Control Funding Formula	\$ 2,841,147
Federal revenue	880,342
Other State revenue	1,109,970
Local revenues	12,698
Fundraising revenue	<u>13,274</u>
Total support and revenues	<u>4,857,431</u>
Expenses	
Program services	3,630,302
Management and general	<u>766,499</u>
Total expenses	<u>4,396,801</u>
Change in Net Assets	460,630
Net Assets, Beginning of Year	<u>1,514,151</u>
Net Assets, End of Year	<u><u>\$ 1,974,781</u></u>

New Horizons Charter Academy

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 1,335,275	\$ 260,685	\$ 1,595,960
Employee benefits	446,562	59,126	505,688
Payroll taxes	54,217	10,585	64,802
Fees for services	336,666	182,297	518,963
Office expenses	194,293	66,665	260,958
Information technology	78,154	6,238	84,392
Occupancy	552,223	107,811	660,034
Conferences and meeting	3,845	-	3,845
Depreciation	13,172	2,571	15,743
Insurance	52,096	10,171	62,267
Other expenses	45,176	6,289	51,465
Special education	250,452	26,725	277,177
Instructional materials	72,920	-	72,920
Nutrition	195,251	-	195,251
District oversight fee	-	27,336	27,336
	<u>\$ 3,630,302</u>	<u>\$ 766,499</u>	<u>\$ 4,396,801</u>
Total functional expenses	<u>\$ 3,630,302</u>	<u>\$ 766,499</u>	<u>\$ 4,396,801</u>

New Horizons Charter Academy

Statement of Cash Flows (Restated)

Year Ended June 30, 2022

Operating Activities	
Change in net assets	\$ 460,630
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation expense	15,743
Changes in operating assets and liabilities	
Receivables	131,448
Prepaid expenses	33,272
Accounts payable	5,034
Accrued liabilities	292,084
Deferred rent	(5,797)
Refundable advance	118,964
	<hr/>
Net Cash from Operating Activities	1,051,378
	<hr/>
Investing Activities	
Purchases of property and equipment	(14,390)
	<hr/>
Financing Activities	
Principal payments on notes	(96,600)
	<hr/>
Net Change in Cash	940,388
Cash, Beginning of Year	910,696
	<hr/>
Cash, End of Year	<u><u>\$ 1,851,084</u></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, 2022.

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables 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 receivables as of June 30, 2022 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.

Intra-Entity Transactions

Intra-entity transactions results from a net cumulative difference between resources provided by the home office account to each charter school and reimbursement for those resources from each charter school to the home office account. Intra-entity transfers include certain costs of shared liabilities and shared assets between the Organization.

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, 2022.

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. Consequently, at June 30, 2022 conditional contributions approximating \$337,395, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

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, 2022.

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.

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 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.

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	\$ 1,851,084
Receivables	<u>873,780</u>
Total	<u><u>\$ 2,724,864</u></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, 2022:

Building improvements	\$ 13,558
Computer and equipment	<u>203,367</u>
	216,925
Less accumulated depreciation	<u>(143,665)</u>
Total	<u><u>\$ 73,260</u></u>

Note 4 - 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, 2022 was \$308,250, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2023	\$ 317,492
2024	<u>26,522</u>
Total	<u><u>\$ 344,014</u></u>

Note 5 - Facilities Use Agreement

During 2021, the Organization entered into a Proposition 39 Single-Year Co-Location Use Agreement (Agreement) with Los Angeles Unified School District (LAUSD) for the District School Site located at 6501 Fair Avenue., North Hollywood, CA 91601. The single-year term of the Agreement commenced on July 1, 2021 and expired June 30, 2022. Total annual Pro Rata Share for the year ending June 30, 2022, was \$94,217.

On August 12, 2022, the Organization entered into a Proposition 39 Single-Year-Co-Location Use Agreement (Agreement) with Los Angeles Unified School District (LAUSD) for the District School Site at 6501 Fair Avenue., North Hollywood, CA 91601. The single-year term of the Agreement commenced on July 1, 2022 and expires on June 30, 2023. The total annual Pro Rata Share for the year ending June 30, 2022 is expected to be \$88,739.

Note 6 - 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, 2022, 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	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, the 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, 2022, are presented above and the Organization's total contributions were \$206,622.

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 \$140,389 (10.828% 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 7 - 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.

Note 8 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through March 4, 2025, 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.

Note 9 - Restatement

Subsequent to the issuance of the Organization's financial statements, management became aware that revenues were understated for a grant which was earned as of June 30, 2022. The effect of the correction of this error in the restated financial statements increased accounts receivable of \$86,580 as of June 30, 2022, and increased federal revenue and the change in net assets by \$86,580 for the year ended June 30, 2022.

	As Previously Reported	Adjustment	As Restated
Statement of Financial Position			
Receivables	\$ 787,200	\$ 86,580	\$ 873,780
Total current assets	2,723,348	86,580	2,809,928
Total assets	2,820,608	86,580	2,907,188
Net assets without donor restriction	1,888,201	86,580	1,974,781
Total liabilities and net assets	2,820,608	86,580	2,907,188
Statement of Activities			
Federal revenue	793,762	86,580	880,342
Total support and revenues	4,770,851	86,580	4,857,431
Change in Net Assets	374,050	86,580	460,630
Net Assets, End of Year	1,888,201	86,580	1,974,781
Statement of Cash Flows			
Change in net assets	374,050	86,580	460,630
Changes in operating assets and liabilities - receivables	218,028	(86,580)	131,448
Note 2 - Liquidity and Availability			
Receivables	787,200	86,580	873,780
Total	2,638,284	86,580	2,724,864



Supplementary Information
June 30, 2022

New Horizons Charter Academy

New Horizons Charter Academy
Schedule of Expenditures of Federal Awards (Restated)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement	84.027	13379	\$ 69,631
Subtotal Special Education (IDEA) Cluster			<u>69,631</u>
Passed through California Department of Education (CDE)			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	8
COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	328,105
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	<u>29,730</u>
Subtotal			<u>357,843</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	115,866
Title II, Part A, Supporting Effective Instruction	84.367	14341	16,220
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	<u>10,000</u>
Total U.S. Department of Education			<u>569,560</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Cluster			
Summer Food Service Program	10.559	13004	202,575
COVID-19 - SNP - Emergency Operational Costs Reimbursement (ECR)	10.555	15637	<u>8,637</u>
Subtotal Child Nutrition Cluster			<u>211,212</u>
Federal Communications Commission (FCC)			
Passed through Universal Service Administrative Company			
COVID-19 - Emergency Connectivity Fund Program	32.009	[1]	<u>86,580</u>
Total FCC			<u>86,580</u>
U.S. Department of Health and Human Services			
Passed through Center for Disease Control (CDC)			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	[1]	<u>12,990</u>
Total Federal Financial Assistance			<u><u>880,342</u></u>

[1] Pass-Through Entity Identifying Number not available.

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 Average Daily Attendance
Year Ended June 30, 2022

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	99.03	100.37
Fourth through sixth	78.55	77.73
Seventh and eighth	54.56	54.30
	<u>232.14</u>	<u>232.40</u>
Total Regular ADA	<u>232.14</u>	<u>232.40</u>
Classroom Based ADA		
Transitional kindergarten through third	99.03	100.37
Fourth through sixth	78.55	77.73
Seventh and eighth	54.56	54.30
	<u>232.14</u>	<u>232.40</u>
Total Classroom Based ADA	<u>232.14</u>	<u>232.40</u>

New Horizons Charter Academy

Schedule of Instructional Time

Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Days Credited Form J-13A	Total Minutes Offered	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
					Traditional Calendar	Multitrack Calendar			
Kindergarten	36,000	51,330	-	51,330	180	-	-	180	Complied
Grades 1 - 3	50,400								
Grade 1		58,165	-	58,165	180	-	-	180	Complied
Grade 2		58,165	-	58,165	180	-	-	180	Complied
Grade 3		61,255	-	61,255	180	-	-	180	Complied
Grades 4 - 6	54,000								
Grade 4		61,255	-	61,255	180	-	-	180	Complied
Grade 5		61,255	-	61,255	180	-	-	180	Complied
Grade 6		61,255	-	61,255	180	-	-	180	Complied
Grades 7 - 8	54,000								
Grade 7		61,255	-	61,255	180	-	-	180	Complied
Grade 8		61,255	-	61,255	180	-	-	180	Complied

New Horizons Charter Academy
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements (Restated)
Year Ended June 30, 2022

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>New Horizons Charter Academy</u>
Net Assets	
Balance, June 30, 2022, Unaudited Actuals	\$ 1,740,669
Increase in	
Receivables	286,752
Refundable advance	(40,586)
Accounts payable	<u>(48,627)</u>
Balance, June 30, 2022, Audited Financial Statements	<u>\$ 1,938,208</u>

New Horizons Charter Academy
Combining Statement of Financial Position (Restated)
June 30, 2022

	New Horizons Charter Academy	New Horizons High School	Elimination	Total
Assets				
Current assets				
Cash	\$ 1,851,084	\$ -	\$ -	\$ 1,851,084
Receivables	873,780	-	-	873,780
Intercompany receivable	-	36,573	(36,573)	-
Prepaid expenses	85,064	-	-	85,064
Total current assets	2,809,928	36,573	(36,573)	2,809,928
Non-current Assets				
Security deposit	24,000	-	-	24,000
Property and equipment, net	73,260	-	-	73,260
Total non-current assets	97,260	-	-	97,260
Total assets	\$ 2,907,188	\$ 36,573	\$ (36,573)	\$ 2,907,188
Liabilities				
Current Liabilities				
Accounts payable	\$ 95,632	\$ -	\$ -	\$ 95,632
Accrued liabilities	517,879	-	-	517,879
Refundable advance	302,539	-	-	302,539
Deferred rent	16,357	-	-	16,357
Intercompany payable	36,573	-	(36,573)	-
Total Liabilities	968,980	-	(36,573)	932,407
Net Assets				
Without donor restrictions	1,938,208	36,573	-	1,974,781
Total liabilities and net assets	\$ 2,907,188	\$ 36,573	\$ (36,573)	\$ 2,907,188

New Horizons Charter Academy
Combining Statement of Activities (Restated)
June 30, 2022

	New Horizons Charter Academy	New Horizons High School	Total
Revenues			
Local Control Funding Formula	\$ 2,841,147	\$ -	\$ 2,841,147
Federal revenue	880,342	-	880,342
Other State revenue	1,109,970	-	1,109,970
Local revenues	12,698	-	12,698
Fundraising revenue	13,274	-	13,274
	<u>4,857,431</u>	<u>-</u>	<u>4,857,431</u>
Total support and revenues			
Expenses			
Program services	3,630,302	-	3,630,302
Management and general	766,499	-	766,499
	<u>4,396,801</u>	<u>-</u>	<u>4,396,801</u>
Total expenses			
Change in Net Assets	460,630	-	460,630
Net Assets, Beginning of Year	<u>1,477,578</u>	<u>36,573</u>	<u>1,514,151</u>
Net Assets, End of Year	<u>\$ 1,938,208</u>	<u>\$ 36,573</u>	<u>\$ 1,974,781</u>

Note 1 - Purpose of Supplementary Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying restated schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the Organization had no food commodities in inventory.

Restatement of Schedule of Expenditures of Federal Awards

The schedule has been restated to include expenditures of \$86,580 for the COVID-19 - Emergency Connectivity Fund Program, Assistance Listing Number 32.009. These expenditures were omitted from the previously issued schedule in error.

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 Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Organization's. 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 at the Organization.

Schedule of Instructional Time

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

The Organization must maintain their instructional minutes at the 1986-87 requires 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 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, 2022

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* (Reissued)

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 (*Government Auditing Standards*), the financial statements of New Horizons Charter Academy (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 22, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Other Matter – Reissuance of Report

This report on internal control over financial reporting and the report on compliance and other matters replaces our previously issued reports dated February 22, 2023. The schedule of expenditures of federal awards has been restated to add an omitted program for the year ended June 30, 2022, which has resulted in the addition of a material weakness in internal control over financial reporting. Our report on internal control over financial reporting and our report on compliance and other matters have been reissued to add item 2022-001, and we have revised the summary of auditor's results to identify a material weakness in internal control over financial reporting.

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.



Rancho Cucamonga, California

February 22, 2023, except on item 2022-001 and revisions to the summary of auditor's results, which is as of March 4, 2025



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

Governing Board
New Horizons Charter Academy
North Hollywood, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited New Horizons Charter Academy's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the printed name of the firm.

Rancho Cucamonga, California
February 22, 2023



Independent Auditor's Report on State Compliance

Governing Board
New Horizons Charter Academy
North Hollywood, California

Report on Compliance

Opinion on State Compliance

We have audited New Horizons Charter Academy's (the Organization) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the Organization's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
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

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
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	No, see below
After/Before School Education and Safety Program	Yes
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 and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for “Local Education Agencies Other Than Charter Schools” 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 a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety 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.

The Organization's charter school was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform Career Technical Education Incentive Grant procedures because the Organization did not receive funding for this grant.

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study because the Organization was not classified as nonclassroom-based and does not offer an Independent Study program.

ADA was below the threshold required for testing; therefore, we did not perform any procedures related to Determination of Funding for Nonclassroom-Based Instruction.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
February 22, 2023



Schedule of Findings and Questioned Costs
June 30, 2022

New Horizons Charter Academy

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
COVID-19 Education Stabilization Fund	84.425D, 84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

Internal control over state compliance for programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs:	Unmodified

The following finding represents a material weakness in internal control related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2022-001 30000 – Internal Control
Restatement of Net Assets and Preparation of the Financial Statements

Criteria or Specific Requirements

The Organization is responsible for maintaining their accounting records in accordance with generally accepted accounting principles (GAAP) for financial reporting. Additionally, the Organization is responsible for accurately reporting the schedule of expenditures for federal awards (SEFA), which must include total federal awards expended for the period covered by the financial statements.

Condition

Eide Bailly LLP assists in the preparation of the Organization's financial statements based on the trial balance prepared by management. There was a material audit adjustment proposed and posted to correctly recognize federal grant revenue. Additionally, the underlying federal program was omitted from the SEFA in error.

Context

The condition was identified as a result of audit procedures performed. The adjustment was proposed and posted to ensure accuracy of account balances.

Cause

The internal controls in place during the closing process were not sufficient to ensure accurate reporting of balances for reporting.

Effect

The adjustment to the general ledger was proposed as a result of audit procedures. The adjustment was accepted by management to ensure the financial statements were presented fairly. This deficiency may result in financial information that is not available as timely or accurately as it would otherwise be if account balances were reconciled and reported accurately. The deficiency also may result in errors in the Organization's audit of compliance with federal awards and potential actions from regulators for misreporting of grant funds. Additionally, this deficiency may have been corrected if the financial statements were internally prepared.

Repeat Finding (Yes or No)

No.

Recommendation

We recommend that the Organization implement more comprehensive review processes and controls to ensure that account balances are reconciled to the underlying source documentation and revenues received are recognized in the correct period.

Corrective Action Plan and Views of Responsible Officials

New Horizons Charter Academy will work in close partnership with its back office on review of all transactions that require further supporting documents on a timely manner to avoid recognition in the wrong fiscal period. Any revenue posted as deferred revenue or refundable advance will be communicated and reviewed by back office and New Horizons Charter Academy. New Horizons Charter Academy will conduct monthly review with back office of general ledger to ensure all transactions are properly classified and in the proper fiscal period. Review of internal controls will be adhered to and reviewed by New Horizons Charter Academy and back office in conjunction with the review of Accounting Fiscal Policies and Procedures.

None reported.

None reported.

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