



Financial Statements

June 30, 2024

New Horizons Charter Academy

Charter No. 1567

Independent Auditor's Report.....	1
Financial Statements	
Statement of Financial Position	4
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Schedule of Average Daily Attendance.....	16
Schedule of Instructional Time	17
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	18
Statement of Financial Position by School.....	19
Statement of Activities by School	20
Notes to Supplementary Information.....	21
Other Information	
Local Education Agency Organization Structure (Unaudited)	22
Independent Auditor's Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditor's Report on State Compliance and on Internal Control Over Compliance	25
Schedule of Findings and Questioned Costs	
Summary of Auditor's Results.....	29
Financial Statement Findings	30
State Compliance Findings and Questioned Costs.....	32
Summary Schedule of Prior Audit Findings.....	33



Independent Auditor's Report

Governing Board
New Horizons Charter Academy
North Hollywood, California

Report on the Audit of 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, 2024, 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 New Horizons Charter Academy as of June 30, 2024, 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Correction of Error

As discussed in Note 7 to the financial statements, the net assets as of July 1, 2023 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 on pages 16 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2025 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, 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 "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
March 4, 2025

New Horizons Charter Academy

Statement of Financial Position

June 30, 2024

Assets		
Current assets		
Cash	\$	1,849,206
Receivables		560,737
Prepaid expenses		<u>24,410</u>
Total current assets		<u>2,434,353</u>
Non-current Assets		
Security deposit		60,500
Property and equipment, net		1,357,073
Operating lease right-of-use asset, net		<u>8,716,934</u>
Total non-current assets		<u>10,134,507</u>
Total assets	\$	<u><u>12,568,860</u></u>
Liabilities		
Current Liabilities		
Accounts payable	\$	285,598
Accrued liabilities		352,591
Refundable advance		1,016,463
Current portion of operating lease liability		<u>57,762</u>
Total current liabilities		<u>1,712,414</u>
Long-Term Debt		
Operating lease liability, less current portion		<u>8,759,028</u>
Total liabilities		<u>10,471,442</u>
Net Assets		
Without donor restrictions		<u>2,097,418</u>
Total liabilities and net assets	\$	<u><u>12,568,860</u></u>

New Horizons Charter Academy

Statement of Activities
Year Ended June 30, 2024

Support and Revenues	
Local Control Funding Formula	\$ 2,583,319
Federal revenue	700,938
Other State revenue	1,458,875
Local revenues	9,548
Fundraising revenue	<u>4,627</u>
Total support and revenues	<u>4,757,307</u>
Expenses	
Program services	3,890,585
Management and general	<u>1,022,153</u>
Total expenses	<u>4,912,738</u>
Change in Net Assets	(155,431)
Net Assets, Beginning of Year, as Restated	<u>2,252,849</u>
Net Assets, End of Year	<u><u>\$ 2,097,418</u></u>

New Horizons Charter Academy
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 1,630,539	\$ 403,385	\$ 2,033,924
Employee benefits	519,691	96,621	616,312
Payroll taxes	67,292	16,648	83,940
Fees for services	492,374	212,610	704,984
Office expenses	136,206	87,104	223,310
Information technology	75,490	9,128	84,618
Occupancy	497,994	123,201	621,195
Conferences and meeting	4,221	-	4,221
Depreciation	21,870	5,410	27,280
Insurance	30,692	7,593	38,285
Other expenses	65,273	14,043	79,316
Special education	192,137	20,585	212,722
Instructional materials	20,920	-	20,920
Nutrition	135,886	-	135,886
District oversight fee	-	25,825	25,825
	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 3,890,585</u>	<u>\$ 1,022,153</u>	<u>\$ 4,912,738</u>

New Horizons Charter Academy

Statement of Cash Flows

Year Ended June 30, 2024

Operating Activities	
Change in net assets	\$ (155,431)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation expense	27,280
Changes in operating assets and liabilities	
Receivables	56,100
Prepaid expenses	56,500
Security deposits	(36,500)
Accounts payable	132,741
Accrued liabilities	(184,430)
Refundable advance	(363,167)
Operating lease assets and liabilities	99,917
Net Cash from Operating Activities	<u>(366,990)</u>
Investing Activities	
Purchases of property and equipment	<u>(1,231,102)</u>
Net Change in Cash	(1,598,092)
Cash, Beginning of Year	<u>3,447,298</u>
Cash, End of Year	<u>\$ 1,849,206</u>
Supplemental Cash Flow Disclosure	
Cash paid during the year for interest	\$ 82,570
Lease liabilities arising from obtaining right-to-use assets	\$ 8,764,395

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 150 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, and was renewed for an additional three years ending 2026.

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 and expense are recorded when incurred in accordance with the accrual basis of accounting.

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, 2024.

Concentration of Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2024, the Organization had approximately \$1.4 million in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts.

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, 2024 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 \$1,000 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 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 accumulated depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. The 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, 2024.

Right of Use Leased Assets and Liabilities

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

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.

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, 2024.

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 presents 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 and those estimates could be material.

Change in Accounting Principle

As of July 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision useful information about the expected losses on financial instruments. The impact of the adoption was not considered material to the financial statements.

Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2024 through March 4, 2025, which is the date the financial statements were available to be issued and has determined there are no needed recognitions or 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	\$ 1,849,206
Receivables	560,737
	<hr/>
Total	<u>\$ 2,409,943</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, 2024:

Building improvements	\$ 13,558
Computer and equipment	262,307
Work in progress	<u>1,272,802</u>
	1,548,667
Less accumulated depreciation	<u>(191,594)</u>
Total	<u><u>\$ 1,357,073</u></u>

Note 4 - Leases

The Organization leases certain real property for the operations of the charter school and equipment at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2054. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options reasonably certain to be exercised. The Organization's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and equipment classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended June 30, 2024 were as follows:

Operating lease cost	\$ 259,678
Short-term lease cost	172,648

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term:	
Operating leases	29.64 Years
Weighted-average discount rate:	
Operating leases	4.41%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2024:

2025	\$ 448,565
2026	433,450
2027	446,332
2028	457,316
2029	476,476
Thereafter	<u>15,001,536</u>
Total lease payments	17,263,675
Less interest	<u>(8,446,885)</u>
Present value of lease liabilities	<u><u>\$ 8,816,790</u></u>

Note 5 - 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 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, 2021, 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, 2024, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

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, 2024, are presented above and the Organization's total contributions were \$257,219.

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 \$154,562 (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 6 - 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.

Employee Retention Credit

The Organization's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Note 7 - Restatement

During the year ended June 30, 2024, the Organization became aware of funds that were recorded as a refundable advance but should have been recognized as revenue during the year ended June 30, 2022. The amount was adjusted in the current year by restating the beginning net assets to properly account for these funds in the correct accounting period. The effect on the opening balance of the Organization's net assets without donor restriction as of June 30, 2023 is as follows:

Net Assets, July 1, 2023, as Previously Reported	\$ 2,166,269
Refundable Advance	<u>86,580</u>
Net Assets, July 1, 2023, as restated	<u><u>\$ 2,252,849</u></u>

There was no effect on the change in net assets for the year ended June 30, 2023, as a result of the restatement.



Supplementary Information
June 30, 2024

New Horizons Charter Academy

New Horizons Charter Academy
Schedule of Average Daily Attendance
Year Ended June 30, 2024

	Second Period Report <u>F9533699</u>	Annual Report <u>8CCB7F7E</u>
Regular ADA		
Transitional kindergarten through third	66.56	65.80
Fourth through sixth	60.90	61.03
Seventh and eighth	<u>50.87</u>	<u>51.15</u>
Total Regular ADA	<u><u>178.33</u></u>	<u><u>177.98</u></u>
Classroom Based ADA		
Transitional kindergarten through third	66.56	65.80
Fourth through sixth	60.90	61.03
Seventh and eighth	<u>50.87</u>	<u>51.15</u>
Total Classroom Based ADA	<u><u>178.33</u></u>	<u><u>177.98</u></u>

New Horizons Charter Academy

Schedule of Instructional Time

Year Ended June 30, 2024

Grade Level	1986-1987 Minutes Requirement	2023-2024 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	46,680	-	46,680	180	N/A	-	180	Complied
Grades 1 - 3	50,400								
Grade 1		53,020	-	53,020	180	N/A	-	180	Complied
Grade 2		53,020	-	53,020	180	N/A	-	180	Complied
Grade 3		53,202	-	53,202	180	N/A	-	180	Complied
Grades 4 - 6	54,000								
Grade 4		60,685	-	60,685	180	N/A	-	180	Complied
Grade 5		60,685	-	60,685	180	N/A	-	180	Complied
Grade 6		60,640	-	60,640	180	N/A	-	180	Complied
Grades 7 - 8	54,000								
Grade 7		60,640	-	60,640	180	N/A	-	180	Complied
Grade 8		60,640	-	60,640	180	N/A	-	180	Complied

New Horizons Charter Academy
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2024

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

	New Horizons Charter Academy
Net Assets	
Balance, June 30, 2024, Unaudited Actuals	\$ 2,336,687
Increase in	
Operating lease right-of-use asset	8,619,469
Operating lease liability	(8,719,386)
Decrease in	
Receivables	(270,086)
Accounts payable	91,263
Refundable advance	39,471
	<hr/>
Balance, June 30, 2024, Audited Financial Statements	<u><u>\$ 2,097,418</u></u>

New Horizons Charter Academy
Statement of Financial Position by School
June 30, 2024

	New Horizons Charter Academy	New Horizons High School	Elimination	Total
Assets				
Current assets				
Cash	\$ 1,849,206	\$ -	\$ -	\$ 1,849,206
Receivables	560,737	-	-	560,737
Intercompany receivable	-	36,573	(36,573)	-
Prepaid expenses	24,410	-	-	24,410
Total current assets	2,434,353	36,573	(36,573)	2,434,353
Non-current Assets				
Security deposit	60,500	-	-	60,500
Property and equipment, net	1,357,073	-	-	1,357,073
Operating lease right-of-use asset, net	8,716,934	-	-	8,716,934
Total non-current assets	10,134,507	-	-	10,134,507
Total assets	<u>\$ 12,568,860</u>	<u>\$ 36,573</u>	<u>\$ (36,573)</u>	<u>\$ 12,568,860</u>
Liabilities				
Current Liabilities				
Accounts payable	\$ 285,598	\$ -	\$ -	\$ 285,598
Accrued liabilities	352,591	-	-	352,591
Refundable advance	1,016,463	-	-	1,016,463
Intercompany payable	36,573	-	(36,573)	-
Current portion of operating lease liability	57,762	-	-	57,762
Total current liabilities	1,748,987	-	(36,573)	1,712,414
Long-Term Debt				
Operating lease liability, less current portion	8,759,028	-	-	8,759,028
Total liabilities	10,508,015	-	(36,573)	10,471,442
Net Assets				
Without donor restrictions	2,060,845	36,573	-	2,097,418
Total liabilities and net assets	<u>\$ 12,568,860</u>	<u>\$ 36,573</u>	<u>\$ (36,573)</u>	<u>\$ 12,568,860</u>

New Horizons Charter Academy

Statement of Activities by School

Year Ended June 30, 2024

	<u>New Horizons Charter Academy</u>	<u>New Horizons High School</u>	<u>Total</u>
Support and Revenues			
Local Control Funding Formula	\$ 2,583,319	\$ -	\$ 2,583,319
Federal revenue	700,938	-	700,938
Other State revenue	1,458,875	-	1,458,875
Local revenues	9,548	-	9,548
Fundraising revenue	<u>4,627</u>	<u>-</u>	<u>4,627</u>
Total support and revenues	<u>4,757,307</u>	<u>-</u>	<u>4,757,307</u>
Expenses			
Program services	3,890,585	-	3,890,585
Management and general	<u>1,022,153</u>	<u>-</u>	<u>1,022,153</u>
Total expenses	<u>4,912,738</u>	<u>-</u>	<u>4,912,738</u>
Change in Net Assets	(155,431)	-	(155,431)
Net Assets, Beginning of Year, as Restated	<u>2,216,276</u>	<u>36,573</u>	<u>2,252,849</u>
Net Assets, End of Year	<u>\$ 2,060,845</u>	<u>\$ 36,573</u>	<u>\$ 2,097,418</u>

Note 1 - Purpose of Supplementary Schedules

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.

Statement of Financial Position and Statement of Activities by School

The statement of financial position and statement of activities by site 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 statement of financial position and statement of activities by school are for activities between each charter school.



Other Information
June 30, 2024

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 27, 2024
Mary Minassian	Secretary	September 28, 2024
Dr. Mario Castaneda	Member	June 29, 2025
Illana Youngheim	Member	June 21, 2025
Sharon Hansle-Cohen	Member	April 19, 2025
Gilbert Najm	Member	April 19, 2025

ADMINISTRATION

Richard Thomas	Executive Director/Principal
----------------	------------------------------



Independent Auditor's Reports
June 30, 2024

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 (*Government Auditing Standards*), the financial statements of New Horizons Charter Academy (the Organization), which comprise the Organization's statement of financial position as of June 30, 2024, 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 March 4, 2025.

Correction of Error

As discussed in Note 7 to the financial statements, the net assets as of July 1, 2023 have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 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 the Finding

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.

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 Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
March 4, 2025



Independent Auditor's Report on State Compliance and on Internal Control Over 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 *2023-2024 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, 2024.

In our opinion, New Horizons Charter Academy 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, 2024.

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 (*Government Auditing Standards*), and the *2023-2024 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 *2023-2024 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 *2023-2024 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 *2023-2024 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 Organization'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:

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Not Applicable
Teacher Certification and Misassignments	Not Applicable
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Not Applicable
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Not Applicable
District of Choice	Not Applicable
Home to School Transportation	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Not Applicable
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Not Applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

The term “Not Applicable” is used above to mean either the Organization did not offer the program during the current fiscal year, the Organization did not participate in the program during the current fiscal year, the program did not exceed the threshold for testing, or the program applies to a different type of local education agency.

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

Report on Internal Control over 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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink. The signature is written in a cursive, flowing style. It appears to read "Eide Bailly LLP". The letters are connected, and there are some loops and flourishes, particularly in the "E" and "B".

Rancho Cucamonga, California
March 4, 2025



Schedule of Findings and Questioned Costs
June 30, 2024

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

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

2024-001 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.

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 revenue in a previous fiscal period, which resulted in a restatement of beginning net assets as of July 1, 2023.

Context

The condition was identified as a result of audit procedures performed. The adjustment and was 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. 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.

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