



LAKE VIEW CHARTER SCHOOL

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2020**

**A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

Lake View Charter (Charter No. 2069)

**LAKE VIEW CHARTER SCHOOL
TABLE OF CONTENTS
JUNE 30, 2020**

FINANCIAL SECTION

Independent Auditors' Report 1
Financial Statements
 Statement of Financial Position 3
 Statement of Activities 4
 Statement of Functional Expenses 5
 Statement of Cash Flows 6
Notes to Financial Statements 7

SUPPLEMENTARY INFORMATION

Charter Organizational Structure 15
Schedule of Average Daily Attendance 16
Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements 17
Notes to the Supplementary Information 18

OTHER INDEPENDENT AUDITORS' REPORTS

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* 19
Report on State Compliance 21

FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 23
Financial Statement Findings 24
State Award Findings and Questioned Costs 25
Summary Schedule of Prior Audit Findings and Questioned Costs 26

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lake View Charter School
Orland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Lake View Charter School (the "Charter") which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake View Charter School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Lake View Charter School taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California

March 10, 2021

**LAKE VIEW CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

Current assets	
Cash and cash equivalents	\$ 296,089
Accounts receivable	919,716
Due from Inspire Schools	<u>180,477</u>
Total current assets	<u>1,396,282</u>
Total Assets	<u>\$ 1,396,282</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 387,721
Due to Inspire Schools	515,720
Loans payable	<u>295,400</u>
Total liabilities	<u>1,198,841</u>
Net assets	
Without donor restrictions	<u>197,441</u>
Total net assets	<u>197,441</u>
Total Liabilities and Net Assets	<u>\$ 1,396,282</u>

The notes to the financial statements are an integral part of this statement.

**LAKE VIEW CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
State support and revenues	
Local control funding formula, state aid	\$ 3,842,852
Other state revenues	<u>355,567</u>
Total state support and revenues	<u>4,198,419</u>
Local support and revenues	
Payments in lieu of property taxes	<u>143,385</u>
Total local support and revenues	<u>143,385</u>
Total Support and Revenues	<u>4,341,804</u>
 EXPENSES	
Program services	3,614,384
Management and general	<u>529,979</u>
Total Expenses	<u>4,144,363</u>
 CHANGE IN NET ASSETS	 197,441
 Net Assets - Beginning	 <u>-</u>
 Net Assets - Ending	 <u>\$ 197,441</u>

The notes to the financial statements are an integral part of this statement.

**LAKE VIEW CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 1,286,612	\$ 102,980	\$ 1,389,592
Non-certificated salaries	42,257	3,542	45,799
Deferred compensation	212,675	13,730	226,405
Payroll taxes	46,287	3,016	49,303
Other employee benefits	70,516	4,596	75,112
Total personnel expenses	<u>1,658,347</u>	<u>127,864</u>	<u>1,786,211</u>
Non-personnel expenses			
Books and supplies	548,240	3,585	551,825
Insurance	16,537	1,077	17,614
Facilities	3,849	251	4,100
Professional services	921,781	40,963	962,744
Interest expense	-	98,986	98,986
Service fees to Inspire Schools	458,418	137,153	595,571
Payments to authorizing agency	-	119,587	119,587
Other operating expenses	7,212	513	7,725
Total non-personnel expenses	<u>1,956,037</u>	<u>402,115</u>	<u>2,358,152</u>
Total Expenses	<u>\$ 3,614,384</u>	<u>\$ 529,979</u>	<u>\$ 4,144,363</u>

The notes to the financial statements are an integral part of this statement.

**LAKE VIEW CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 197,441
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
(Increase) decrease in operating assets	
Accounts receivable	(919,716)
Due from Inspire Schools	(180,477)
Increase (decrease) in operating liabilities	
Accounts payable	387,721
Due to Inspire Schools	515,720
Net cash provided by (used in) operating activities	<u>689</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from sale of receivables	2,571,400
Repayment of loans payable	<u>(2,276,000)</u>
Net cash provided by (used in) financing activities	<u>295,400</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	296,089
Cash and cash equivalents - Beginning	<u>-</u>
Cash and cash equivalents - Ending	<u>\$ 296,089</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 98,986</u>

The notes to the financial statements are an integral part of this statement.

**LAKE VIEW CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake View Charter School (the “Charter”) was formed as a nonprofit public benefit corporation on July 24, 2019 for the purpose of operating as a California public school located in Glenn County. The Charter was numbered by the State Board of Education in September 2019 as California Charter No. 2069. The mission of Lake View Charter School is to develop the individual gifts of students in Glenn County and adjacent counties to become proficient in Common Core State Standards and become critical thinkers, responsible citizens and innovative leaders prepared for academic and real-life achievement in the 21st Century. The fiscal year ended June 30, 2020 was the Charter’s first year of operation. Lake View Charter School provides nonclassroom-based instruction to students in grades TK/K to 12.

Lake View Charter School is authorized to operate as a charter school through the Lake Elementary School District (the “authorizing agency”). On June 18, 2019, the Board of Directors of Lake Elementary School District approved a charter petition for a five-year term beginning July 1, 2019 and expiring on June 30, 2024. Funding sources primarily consist of state apportionments and in lieu of property tax revenues.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018.

Under the Guide, Lake View Charter School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, Lake View Charter School also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

**LAKE VIEW CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

F. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Lake View Charter School. Revenues are recognized by the Charter when earned.

H. Cash and Cash Equivalents

Lake View Charter School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2020, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Lake View Charter School has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

Lake View Charter School is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**LAKE VIEW CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncements

Revenue Recognition

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board’s policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in FASB ASU No. 2014-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 *Revenue Recognition*. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The effective dates for the new guidance are staggered. Public entities have already implemented the new guidance, and nonprofit entities were required to implement the new guidance for fiscal years beginning after December 15, 2018. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Charter will determine the impact on the financial statements once implemented.

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and was originally effective for public business entities for fiscal years beginning after December 15, 2018. In October 2019, FASB approved to delay effective dates for all public business entities, except for SEC filers, to fiscal years beginning after December 15, 2019. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Charter will determine the impact on the financial statements once implemented.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020, consist of cash in banks of \$296,089 held in noninterest-bearing accounts. As of June 30, 2020, \$66,897 of the Lake View Charter School’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Lake View Charter School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020, consists of the following:

Local control funding sources, state aid	\$	548,142
Other state sources		228,189
In lieu property taxes		143,385
Total Accounts Receivable	\$	919,716

**LAKE VIEW CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2020, consists of the following:

Accrued salaries and benefits	\$ 81,999
Credit purchases	116,359
Due to authorizing agency	62,041
Vendor payables	127,322
Total Accounts Payable	<u>\$ 387,721</u>

NOTE 5 – LOANS PAYABLE

Throughout the fiscal year ended June 30, 2020, the Charter entered into four separate agreements with Charter School Capital Inc. whereby future receivables were collateralized for short-term borrowings. The total amount borrowed during the fiscal year amounted to \$2,571,400. Of this amount, the Charter has repaid \$2,276,000. Total interest expense or discounts charged on these financing agreements amounted to \$98,986. As of June 30, 2020, \$295,400 remained payable and is to be repaid in the 2020-21 fiscal year once local control funding formula sources are received for June 2020.

NOTE 6 – NET ASSETS

As of June 30, 2020, the Charter did not hold any net assets with donor restrictions. At June 30, 2020, the Charter's net assets without donor restrictions amounted to \$197,441 lacking any board designations.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial assets	
Cash and cash equivalents	\$ 296,089
Accounts receivable, current portion	919,716
Due from Inspire Schools	180,477
Total Financial Assets, excluding noncurrent	<u>\$ 1,396,282</u>
Contractual or donor-imposed restrictions	-
Board designations	-
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 1,396,282</u>

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are offered social security as an alternative plan.

**LAKE VIEW CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

Lake View Charter School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2019-20 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2019-20 was 17.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the fiscal year ended June 30, 2020 was \$226,405.

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California; however, as Lake View Charter School was not yet in operation during 2018-19, no on-behalf payments were made during 2019-20. Lake View Charter School will become eligible to receive on-behalf payments beginning in 2020-21.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

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

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has not yet estimated the Charter's share of withdrawal liability as of its most recent actuary study dated June 30, 2019. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 8 for additional information on employee retirement plans.

NOTE 10 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, Lake Elementary School District, to provide required services for special education and other purchased services in addition to fees for oversight. In accordance with *California Education Code 47613(b)*, the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; Lake Elementary School District provides such facilities. Total fees for oversight and facility use amounted to \$119,587 for the fiscal year ended June 30, 2020.

LAKE VIEW CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 10 – RELATED PARTY TRANSACTIONS (continued)

Inspire Charter Schools

When Lake View Charter School was initially incorporated in July 2019, its articles of incorporation listed the founder and former CEO of Inspire Charter Schools (“Inspire”) as the incorporator of the Charter. In July 2019, Lake View Charter School entered into an education and support services agreement with Inspire Charter Schools for educational services under the “Inspire Education Model” and for management services. The agreement calls for an annual fee of fifteen percent (15%) of annual revenues and covered a term from July 1, 2019 to June 30, 2024. During the fiscal year ended June 30, 2020, the Charter paid \$595,571 in service fees to Inspire Charter Schools.

Due to/from Inspire Schools

Within its fiscal policies established by Inspire, Lake View Charter School holds an Interschool Lending and Borrowing Policy that allows for borrowing and lending of cash between the Charter and other public charter schools that are or were under the operation of Inspire Charter Schools. Lake View Charter School made cash transfers to other organizations and charter schools and/or made payments on-behalf of other organizations and charter schools associated with Inspire that were initiated by Inspire. Conversely, other organizations and charter schools also transferred cash or paid for expenses on-behalf of Lake View Charter School. As of June 30, 2020, the receivable recorded as due from Inspire Charter Schools was \$180,477 and the payable recorded as due to Inspire Charter Schools was \$515,720. A summary of activity related to interschool borrowings during the year ended June 30, 2020 consists of the following:

Organization/Charter School	Balance July 1, 2019	Transfers or Payments	Repayment or Expenses	Balance June 30, 2020
Inspire Charter Services	\$ -	\$ 3,240,193	\$ 3,076,181	\$ 164,012
Triumph Academy	-	6,963	-	6,963
Monarch River Academy	-	6,016	-	6,016
Winship Community School	-	3,486	-	3,486
Due from Inspire Schools	-	3,256,658	3,076,181	180,477
Feather River Charter School	\$ -	\$ -	\$ 333,029	\$ (333,029)
Cottonwood School	-	-	123,420	(123,420)
Cabrillo Point Academy	-	-	23,878	(23,878)
Clarksville Point Academy	-	-	15,763	(15,763)
Heartland Charter School	-	-	10,494	(10,494)
Mission Valley Academy	-	-	6,764	(6,764)
Pacific Coast Academy	-	-	1,129	(1,129)
Yosemite Valley Charter School	-	-	879	(879)
Blue Ridge Academy	-	-	364	(364)
Due to Inspire Schools	\$ -	\$ -	\$ 515,720	\$ (515,720)

NOTE 11 – SUBSEQUENT EVENTS

Lake View Charter School has evaluated subsequent events for the period from June 30, 2020 through March 10, 2021, the date the financial statements were available to be issued.

As a result of the coronavirus (COVID-19) outbreak, economic uncertainties have arisen which have modified and delayed governmental funding as well as impacted how the Charter operates its programs and activities for the future reporting periods. At this time, management cannot predict the overall impact of the COVID-19 pandemic, but management continues to monitor the situation, to assess further possible implications to operations, and to take actions in an effort to mitigate adverse consequences.

LAKE VIEW CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 11 – SUBSEQUENT EVENTS (continued)

On July 2, 2020, the Charter received loan proceeds in the amount of \$174,877 under the Paycheck Protection Program (PPP). The PPP, established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses. The loan and accrued interest are forgivable after a certain short-term period as long as the entity uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan was originally payable over a two-year period of time; however, due to the PPP Flexibility Act enacted June 5, 2020, the repayment period is extended to five years while retaining the original interest rate of 1.00%.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**LAKE VIEW CHARTER SCHOOL
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2020**

Lake View Charter School, located in Glenn County, was formed as a nonprofit public benefit corporation on July 24, 2019 to operate as a charter school. The charter school, Lake View Charter School was numbered by the State Board of Education in September 2019 as California Charter No. 2069. The Charter is authorized to operate as a charter school through the Lake Elementary School District. During 2019-20, the Charter served approximately 417 students in grades TK/K to 12.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Lindsay Mower	President	June 30, 2020
Billie Adkins	Secretary	June 30, 2020
Anissa Pannell*	Treasurer	June 30, 2020

ADMINISTRATION

Julie Haycock**
Executive Director

**Resigned in December 2019*

***Ms. Haycock is also the Executive Director for Winship Community School, an Inspire Schools affiliate.*

**LAKE VIEW CHARTER SCHOOL
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Second Period Report</u>	<u>Annual Report</u>
<i>Certificate No.</i>	<i>06940554</i>	<i>5CB535E1</i>
	<u>Nonclassroom-Based</u>	
Grade Span		
Kindergarten* through third	233.96	233.93
Fourth through sixth	115.07	115.07
Seventh through eighth	54.68	54.68
Ninth through twelfth	30.54	30.52
Total Average Daily Attendance - Nonclassroom-Based	<u>434.25</u>	<u>434.20</u>

*Includes Transitional Kindergarten (TK)

The Charter had no Classroom-Based ADA in 2019-20.

**LAKE VIEW CHARTER SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020**

June 30, 2020, net position for the Charter Schools Enterprise Fund on the Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ 332,989</u>
Adjustments:	
Increase (decrease) in total net assets:	
Record accrued vacation pay	(24,423)
Record accrued state revenue for special education funding	28,393
Record accrued expenses for special education services	<u>(139,518)</u>
Net adjustments	<u>(135,548)</u>
June 30, 2020, net assets per audited financial statements	<u>\$ 197,441</u>

See accompanying notes to supplementary information.

**LAKE VIEW CHARTER SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

A. Charter Organizational Structure

This schedule provides information about the Charter’s authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position reported for the Charter Schools Enterprise Fund on the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

To the Board of Directors of
Lake View Charter School
Orland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Lake View Charter School (the "Charter") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated March 10, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying findings and questioned costs section that we consider to be a significant deficiency as Finding 2020-001.

Compliance and Other Matters

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

Lake View Charter School's Response to the Finding

Lake View Charter School's response to the finding identified in our audit is described in the accompanying findings and questioned costs section as the corrective action plan. The Charter's response was not subjected to the 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 Charter's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
March 10, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Directors of
Lake View Charter School
Orland, California

Report on State Compliance

We have audited Lake View Charter School's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Lake View Charter School's state programs for the fiscal year ended June 30, 2020, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lake View Charter School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Lake View Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Lake View Charter School's compliance with those requirements.

Opinion on State Compliance

In our opinion, Lake View Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table for the year ended June 30, 2020.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Lake View Charter School’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
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
Charter Schools	
Attendance	Yes
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

Christy White, Inc.

San Diego, California
 March 10, 2021

FINDINGS AND QUESTIONED COSTS

**LAKE VIEW CHARTER SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**LAKE VIEW CHARTER SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING 2020-001: INTERNAL CONTROLS OVER RELATED PARTY TRANSACTIONS (30000)

Criteria: Effective internal controls provide reasonable assurance that the charter school's operations are effective and efficient, that the financial information is reliable, and that the organization operates in compliance with applicable laws and regulations. Transactions between the charter school and management organizations should be transparent, clearly documented, and be fully disclosed for independent audit. Transactions and balances related to interagency activity should be transparent, accountable, and approved in writing by management.

Condition: Through our review of financial transactions and balances, there were several transfers of cash made to outside organizations as well as shared expenses that were paid by the Charter on-behalf of other organizations or by other organizations on-behalf of the Charter. Although a policy existed to allow for certain interschool borrowings between Lake View Charter School and organizations related to Inspire Charter Schools, the policy calls for a board delegated "authorized officer" for amounts of \$50,000 or less and board approval for any transactions over \$50,000. Additionally, the policy noted that no loans to others are to be made that will negatively impact the Charter's own budgeted spending.

Documentation detailing the specific transactions was not available for audit and approval by management or the board of directors on the specific borrowings did not appear to exist. Many of the shared expenses consisted of various credit card purchases and payroll-related costs for which adequate receipts and employee time and effort documentation was not made available. The board had delegated its executive director as its authorized officer yet transactions under \$50,000 did not appear to have her approval and any amounts over \$50,000 were not brought to the board for approval. The Charter also engaged in several sale of receivable transactions for short-term cash borrowing to aid in cash flow suggesting that the transfers to others negatively impacted the Charter's own budgeted spending.

Cause: Interschool borrowings were initiated by Inspire Charter Schools and occurred due to its control of the Charter's assets without the advance approval by Lake View Charter School management or the board of directors.

Effect or potential effect: The risk of misappropriation of assets and misuse of charter school funding exists.

Recommendation: We recommend that the Charter work to obtain documentation to clearly support all transactions with outside organizations related to Inspire Charter Schools, seek immediate repayment for any amounts due to the Charter, and substantiate and repay any amounts due to outside organizations if deemed legitimate. Additionally, we recommend that the Charter refer to the *Charter School Accounting and Best Practices Manual* issued by FCMAT to assist in improving its internal control processes.

Corrective Action Plan: The following actions have occurred over the past year in order to provide greater transparency:

- We have worked with FCMAT regarding best practices.
- The Executive Director has kept the authorizing district aware of the past issues surrounding the practice of inter-school borrowing by the former Inspire Charter Schools/Provenance (now Think Suite).
- No new inter-school borrowing has occurred in the current school year.
- Lake View Charter School will not be renewing its contract with Think Suite for the 2021-22 school year, with the exception of possibly contracting for the enrichment ordering system, thus limiting exposure to the organization.
- Lake View Charter School will be a member of Sequoia Grove Charter Alliance, a new Charter Services Organization (CSO) opening July 1, 2021, created to support Lake View Charter School and three other independent study charter schools in the area. Lake View Charter School will have a representative on the CSO board to provide greater support and transparency.

**LAKE VIEW CHARTER SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no audit findings and questioned costs related to state awards during 2019-20.

**LAKE VIEW CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

There was no audit conducted nor required to be conducted for the 2018-19 fiscal year.