



PALISADES CHARTER HIGH SCHOOL

AUDIT REPORT

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

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

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

Palisades Charter High (Charter No. 0037)

**PALISADES CHARTER HIGH SCHOOL
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JUNE 30, 2020**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Palisades Charter High School
Pacific Palisades, California

Report on the Financial Statements

We have audited the accompanying financial statements of Palisades Charter High 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 Palisades Charter High 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.

Reporting on Summarized Comparative Information

We have previously audited the Palisades Charter High School's 2019 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated December 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Palisades Charter High School taken as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 XX, 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.

San Diego, California

March XX, 2021

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)**

	<u>2020*</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,389,189	6,338,355
Investments	518,697	436,255
Accounts receivable	5,083,771	1,294,249
Inventory	12,568	12,568
Prepaid expenses	209,896	180,514
Total current assets	<u>16,214,121</u>	<u>8,261,941</u>
Capital assets		
Property and equipment	14,673,728	14,217,643
Less accumulated depreciation	<u>(6,887,899)</u>	<u>(6,015,996)</u>
Capital assets, net	<u>7,785,829</u>	<u>8,201,647</u>
Total Assets	<u>\$ 23,999,950</u>	<u>\$ 16,463,588</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 4,240,686	2,814,057
Due to student groups	514,974	398,858
Deferred revenue	275,419	221,438
Long-term liabilities	<u>25,899,883</u>	<u>19,779,209</u>
Total liabilities	<u>30,930,962</u>	<u>23,213,562</u>
Net assets		
Without donor restrictions	(7,948,081)	(7,530,200)
With donor restrictions	<u>1,017,069</u>	<u>780,226</u>
Total net assets	<u>(6,931,012)</u>	<u>(6,749,974)</u>
Total Liabilities and Net Assets	<u>\$ 23,999,950</u>	<u>\$ 16,463,588</u>

**Financial information for all programs operated by the Charter can be found on the Combining Financial Statements in the Supplementary Information Section.*

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

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	2020*			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 20,855,920	\$ -	\$ 20,855,920	\$ 20,688,893
Federal revenues	1,243,671	-	1,243,671	1,393,072
Other state revenues	4,507,920	39,988	4,547,908	5,726,905
Total federal and state support and revenues	26,607,511	39,988	26,647,499	27,808,870
Local support and revenues				
Payments in lieu of property taxes	8,759,320	-	8,759,320	7,263,236
Investment income, net	130,474	-	130,474	141,349
Other local revenues	1,148,807	746,726	1,895,533	2,420,659
Total local support and revenues	10,038,601	746,726	10,785,327	9,825,244
Donor restrictions satisfied	549,871	(549,871)	-	-
Total Support and Revenues	37,195,983	236,843	37,432,826	37,634,114
EXPENSES				
Program services	33,165,502	-	33,165,502	31,742,330
Supporting services				
Management and general	4,239,103	-	4,239,103	7,519,172
Fundraising	209,259	-	209,259	326,761
Total Expenses	37,613,864	-	37,613,864	39,588,263
CHANGE IN NET ASSETS	(417,881)	236,843	(181,038)	(1,954,149)
Net Assets - Beginning	(7,530,200)	780,226	(6,749,974)	(4,795,825)
Net Assets - Ending	\$ (7,948,081)	\$ 1,017,069	\$ (6,931,012)	\$ (6,749,974)

**Financial information for all programs operated by the Charter can be found on the Combining Financial Statements in the Supplementary Information Section.*

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

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

EXPENSES	2020				2019
	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total	
Personnel expenses					
Certificated salaries	\$ 13,495,343	\$ 775,439	\$ -	\$ 14,270,782	\$ 14,809,971
Non-certificated salaries	4,736,131	-	-	4,736,131	4,647,915
Employee benefits	10,105,099	813,506	208,875	11,127,480	11,319,618
Total personnel expenses	<u>28,336,573</u>	<u>1,588,945</u>	<u>208,875</u>	<u>30,134,393</u>	<u>30,777,504</u>
Non-personnel expenses					
Books and supplies	542,755	3,409	-	546,164	773,877
Insurance	192,879	-	-	192,879	175,005
Facilities	1,221,699	21,205	-	1,242,904	1,117,395
Professional services	866,192	2,516,169	-	3,382,361	4,274,115
Interest expense	62,164	-	-	62,164	53,262
Depreciation	871,903	-	-	871,903	872,448
Student activities	248,657	800	-	249,457	304,250
Student transportation	92,683	108,575	-	201,258	557,783
Payments to authorizing agency	296,218	-	-	296,218	279,651
Other operating expenses	433,779	-	384	434,163	402,973
Total non-personnel expenses	<u>4,828,929</u>	<u>2,650,158</u>	<u>384</u>	<u>7,479,471</u>	<u>8,810,759</u>
Total Expenses - 2020	<u>\$ 33,165,502</u>	<u>\$ 4,239,103</u>	<u>\$ 209,259</u>	<u>\$ 37,613,864</u>	
Total Expenses - 2019	<u>\$ 31,742,330</u>	<u>\$ 7,519,172</u>	<u>\$ 326,761</u>		<u>\$ 39,588,263</u>

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

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (181,038)	\$ (1,954,149)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	871,903	872,448
(Increase) decrease in operating assets		
Accounts receivable	(3,789,522)	(137,676)
Inventory	-	(7,087)
Prepaid expenses	(29,382)	(33,218)
Increase (decrease) in operating liabilities		
Accounts payable	1,426,629	(191,533)
Due to student groups	189,862	81,246
Deferred revenue	53,981	128,609
Other postemployment benefits payable	1,436,697	1,234,631
Compensated absences	4,231	(220)
Net cash provided by (used in) operating activities	<u>(16,639)</u>	<u>(6,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer to investment accounts	(82,442)	(436,255)
Purchase of capital assets	(456,085)	(402,949)
Net cash provided by (used in) investing activities	<u>(538,527)</u>	<u>(839,204)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	4,606,000	-
Net cash provided by (used in) financing activities	<u>4,606,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,050,834	(846,153)
Cash and cash equivalents - Beginning	<u>6,338,355</u>	<u>7,184,508</u>
Cash and cash equivalents - Ending	<u>\$ 10,389,189</u>	<u>\$ 6,338,355</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 62,164</u>	<u>\$ 53,262</u>

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

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Palisades Charter High School (the “Charter”) was formed as a nonprofit public benefit corporation on February 4, 2004 for the purpose of operating as a California public school located in Los Angeles County. The Charter was numbered by the State Board of Education in September 1993 as California Charter No. 0037. Initially a school operated by the Los Angeles Unified School District, Palisades Charter High School is a conversion school that became an independent charter school in 2003. Palisades Charter High School’s mission is “to empower our diverse student population to make positive contributions to the global community by dedicating our resources to ensure educational excellence, civic responsibility, and personal growth.” The Charter is located at 15777 Bowdoin Street in Pacific Palisades, California.

Palisades Charter High School is authorized to operate as a charter school through the Los Angeles Unified School District (the “authorizing agency”). The Board of Directors of the Los Angeles Unified School District approved a charter renewal for a five-year term beginning July 1, 2015 and expiring on June 30, 2020. In November 2019, the Board of Directors of the Los Angeles Unified School District approved a charter renewal for an additional five-year term beginning July 1, 2020 and expiring on June 30, 2025. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

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, Palisades Charter High 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, Palisades Charter High 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 only used to the extent that internal accounting for charter school and other program operations is necessary and is not used for external financial statement presentation.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Comparative Totals

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Charter's audited financial statements for the year ended June 30, 2019, from which the information was derived.

E. 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.

F. 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.

G. 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.

H. 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 Palisades Charter High School. Revenues are recognized by the Charter when earned.

I. Cash and Cash Equivalents

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. 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.

L. Capital Assets

Palisades Charter High 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.

M. 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.

N. Income Taxes

Palisades Charter High 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.

O. 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.

**PALISADES CHARTER HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fair Value Measurements (continued)

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.

P. 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 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. 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 the following:

Cash in county treasury	\$ 8,775,857
Cash in banks, non-interest bearing	1,610,218
Cash on hand or awaiting deposit	3,114
Total Cash and Cash Equivalents	<u>\$ 10,389,189</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Palisades Charter High School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2020, \$1,109,945 of the Palisades Charter High 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.

Cash in County Treasury

Policies and Practices

Palisades Charter High School is a voluntary participant in an external investment pool. The fair value of the Charter’s investment in the pool is reported in the financial statements at amounts based upon the Charter’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Charter funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the County Treasury. The Charter’s investments in the Los Angeles County Investment Pool, which combines the Charter’s share of the portfolio, has a combined fair value of \$8,801,253 and an amortized book value of \$8,775,857 as of June 30, 2020. The average weighted maturity for this pool is 590 days.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

Fair Value Measurement

Investments in the Los Angeles County Treasury investment pools are not measured using the fair value input levels noted in Note 1O because the Charter’s transactions are based on a stable net asset value per share. All contributions and redemptions are transactions at \$1.00 net asset value per share.

NOTE 3 – INVESTMENTS

At June 30, 2020, Palisades Charter High School held \$518,697 in investments; \$250,000 held by the charter school in a certificate of deposit and \$268,697 held in a money market account by the associated student body. The investments are carried at amortized cost. These types of investments do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

NOTE 4 – ACCOUNTS RECEIVABLE

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

LCFF, state aid	\$ 3,303,802
Federal sources	489,803
Other state sources	203,664
In-lieu property taxes	860,414
Other local sources	226,088
Total Accounts Receivable	<u>\$ 5,083,771</u>

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2020 consists of the following:

	Balance				Balance
	July 1, 2019	Additions	Disposals		June 30, 2020
Property and equipment					
Buildings	\$ 12,054,356	\$ 256,073	\$ -	\$ -	\$ 12,310,429
Furniture and equipment	2,163,287	25,393	-	-	2,188,680
Construction in progress	-	174,619	-	-	174,619
Total property and equipment	<u>14,217,643</u>	<u>456,085</u>	<u>-</u>	<u>-</u>	<u>14,673,728</u>
Less accumulated depreciation	(6,015,996)	(871,903)	-	-	(6,887,899)
Capital Assets, net	<u>\$ 8,201,647</u>	<u>\$ (415,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,785,829</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 6 – ACCOUNTS PAYABLE

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

Due to grantor government	\$ 1,465,628
Payroll liabilities	1,092,219
Vendor payables	1,682,839
Total Accounts Payable	\$ 4,240,686

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of June 30, 2020, consists of the following:

State sources	\$ 118,474
Local sources	156,945
Total Deferred Revenue	\$ 275,419

NOTE 8 – LONG-TERM LIABILITIES

A summary of activity related to capital assets during the year ended June 30, 2020 consists of the following:

	Balance			Balance
	July 1, 2019	Additions	Deductions	June 30, 2020
Other postemployment benefits	\$ 19,772,327	\$ 1,768,494	\$ 331,797	\$ 21,209,024
Compensated absences	80,628	4,231	-	84,859
PPP loan	-	4,606,000	-	4,606,000
Total Loans Payable	\$ 19,852,955	\$ 6,378,725	\$ 331,797	\$ 25,899,883

Other Postemployment Benefits

Refer to Note 11 for additional information related to the other postemployment benefits liability.

Compensated absences

As of June 30, 2020, the Charter held a compensated absences liability attributed to employee vacation pay accrued but not yet paid out of \$84,859.

Paycheck Protection Program (PPP) Loan

In May 2020, the Charter received loan proceeds in the amount of \$4,606,000 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%. While the Charter believes that its use of the loan proceeds will likely meet the conditions of forgiveness, it is not yet assured that it will take actions that could cause the Charter to be ineligible for loan forgiveness, in whole or in part.

**PALISADES CHARTER HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 9 – NET ASSETS

Net Assets with Donor Restrictions

As of June 30, 2020, the Charter’s net assets with donor restrictions consist of the following:

Local donor restrictions		
Renovation and technology	\$	599,381
Scholarship fund		268,697
Restroom renovation		141,146
Drama program		1,292
State-imposed restrictions		
Classified employee professional development		6,553
Total Net Assets with Donor Restrictions	\$	<u>1,017,069</u>

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2020, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$	7,785,829
Other postemployment benefits unfunded deficit		(17,884,789)
Board designations		
Other postemployment benefits		2,436,869
Total board designations		<u>2,436,869</u>
Undesignated		<u>(18,170,779)</u>
Total Net Assets without Donor Restrictions	\$	<u>(7,948,081)</u>

NOTE 10 – 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	\$	10,389,189
Investments, at cost		518,697
Accounts receivable, current portion		5,083,771
Prepaid expenses		209,896
Inventory		12,568
Total Financial Assets, excluding noncurrent	\$	<u>16,214,121</u>
Contractual or donor-imposed restrictions		
Cash restricted by others for specific uses		(1,017,069)
Cash balance held for student body trusts		(514,974)
Board designations		
Other postemployment benefits		<u>(2,436,869)</u>
Financial Assets available to meet cash needs for expenditures within one year	\$	<u>12,245,209</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11– OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Charter provides for the continuation of retiree health benefits to eligible employees at retirement. Retiree health benefits include medical, prescription drug, dental and vision coverage. The Charter currently pays the cost of coverage for the retiree and any covered dependents during the lifetime of the retiree. Eligibility for retiree health benefits varies based on when an employee was hired. All employees hired on or after July 1, 2009 except Palisades Educational Support Personnel United (PESPU) employees hired on or after January 1, 2012, are not eligible for the Charter paid retiree health benefits.

Benefits Provided

The Charter currently provides medical, dental and vision benefits to approximately 105 eligible active employees. Additionally, as of June 30, 2020, there were 30 retirees eligible for benefits. The Charter School provides health benefits to certain eligible employees at retirement. The retiree health benefits provided are a continuation of the medical including prescription drugs, dental and vision benefits provided to active employees. The retiree health coverage is paid for entirely by the Charter for the lifetime of the retiree. Survivors of deceased retirees may continue health coverage at their own expense.

Eligibility

Future retiree must be enrolled in health plan prior to retirement date, and must be in receipt of monthly payment from STRS or PERS.

All employees except PESPU employees hired on or after July 1, 2009, (PESPU employees hired on or after January 1, 2012) are not eligible for the Charter School-paid health benefits at retirement.

Employees who defer their retirement after separation from service with the Charter School are not eligible for the Charter School-paid health benefits.

Retiree must be enrolled in Medicare Part A if eligible; and must enroll in Part B.

Active employees must meet the following years of service requirements at retirement:

- Hired before March 12, 1984, — must have five consecutive years of service just prior to retirement.
- Hired after March 11, 1984, but before July 1, 1987, — must have ten consecutive years of service just prior to retirement.
- Hired after June 30, 1987, but before June 1, 1992, — must have 15 consecutive years of service just prior to retirement or 20 years of service with ten years of consecutive years of service just prior to retirement.
- Hired after May 31, 1992, age + consecutive years of qualifying service at retirement greater than or equal to 80.
- Hired after February 28, 2007, but before January 1, 2012, age + consecutive years of qualifying service at retirement greater than or equal to 80, and at least 15 consecutive years of qualifying service at retirement.
- PESPU hired after June 30, 2009, but before January 1, 2012, age + consecutive years of qualifying service at retirement greater than or equal to 85 and at least 25 consecutive years of qualifying service at retirement.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Fiscal year	July - June
Valuation date	June 30, 2020
Accounting standard	FASB ASC 715
Discount	2.67%
Return on assets	Not applicable*
Medical cost trend rates	Actual
Dental and vision cost trend rates	3.00%

**The Charter has not reported any FASB-eligible plan assets but has set aside assets and has commenced investing these assets for the future payment of retiree health benefits. The amount of set-aside assets at June 30, 2020 was 6,071,514.*

Post retirement Benefit Plan

The following information relating to the Charter School's other post-employment benefits is contained in the Actuarial Valuation as of June 30, 2020.

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

Change in Benefit Obligation	
Benefit obligation at beginning of year	\$ 19,772,327
Service cost	541,599
Interest cost	980,423
Change in assumptions	-
Change due to gain/(loss)	246,472
Projected benefits paid	<u>(331,797)</u>
Benefit obligation at end of year	<u>\$ 21,209,024</u>

Change in Plan Assets	
Fair value of plan assets at beginning of year	\$ -
Expected/actual return of plan assets	-
Employer contributions	331,797
Projected benefits paid	<u>(331,797)</u>
Fair value of plan assets at the end of year	<u>\$ -</u>

Funded Status	
Funded balance	\$ 21,209,024
Unrecognized net gain/(loss)	150,666
Unrecognized prior service cost	-
Unrecognized transition obligation	<u>6,071,514</u>
Net amount recognized	<u>\$ 27,431,204</u>

Amount Recognized in Unrestricted Assets	
Net actuarial gain/(loss)	\$ 150,666
Prior service cost	-
Unrecognized net transition obligation	<u>6,071,514</u>
Net amount recognized	<u>\$ 6,222,180</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Post retirement Benefit Plan (continued)

Weighted Average Assumptions for Disclosure	
Discount rate	2.67%
Initial healthcare trend rate	6.50%
Ultimate healthcare trend rate	4.00%
Components of Net Periodic Benefit Cost	
Service cost	\$ 541,599
Interest cost	980,423
Expected return on assets	-
Amortization of net gain/(loss)	-
Amortization of prior service cost	-
Amortization of transition obligation	551,956
Net periodic postretirement benefit cost	<u>\$ 2,073,978</u>

The above information relating to the Charter’s other postemployment benefits are contained in the Palisades Charter High School Actuarial Valuation as of June 30, 2020, projected for the 2019-20 fiscal year. The Charter will obtain a new valuation every two years.

Note: Information relating to the effect on the obligation and total service and interest costs of a one percent increase and one percent decrease in the healthcare trend was not available for disclosure as this information was not provided as projected for the 2019-20 fiscal year within the most recent actuarial study.

At June 30, 2020, the Charter recorded the other postemployment benefit plan obligation of \$21,209,024 as a long-term liability. In response to and in anticipation of the post-retirement health benefits described, the Charter designated \$2,436,869 of its net assets to be used to meet the obligation arising from setting up its own post-retirement health plan.

Estimated future benefit payments related to the other postemployment benefit obligation are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2021	\$ 302,954
2022	344,954
2023	379,477
2024	429,702
2025	464,943
Thereafter	2,966,273
Total	<u>\$ 4,888,303</u>

NOTE 12 – 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 members of the California Public Employees’ Retirement System (CalPERS). The Charter also offers all employees social security as an alternative plan to those who may not qualify for CalSTRS or CalPERS retirement plans.

**PALISADES CHARTER HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Palisades Charter High 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 last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2019-20	\$ 2,409,794	100%
2018-19	\$ 2,265,596	100%
2017-18	\$ 2,059,405	100%

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. The amount of on-behalf payments made for Palisades Charter High School is estimated at \$1,793,593. The on-behalf payment amount is computed as the proportionate share of total 2018-19 State on-behalf contributions.

California Public Employees’ Retirement System (CalPERS)

Plan Description

Palisades Charter High School contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

Funding Policy

Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

**PALISADES CHARTER HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

Funding Policy (continued)

Palisades Charter High School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2019-20 was 19.721%. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2019-20	\$ 730,476	100%
2018-19	\$ 705,120	100%
2017-18	\$ 609,158	100%

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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 estimated that the Charter’s share of withdrawal liability is approximately \$20,893,670 as of June 30, 2019. Also, as of June 30, 2019, CalPERS has estimated the Charter’s share of withdrawal liability to be \$7,082,121. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 12 for additional information on employee retirement plans.

Governmental Funds

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

Pending or Threatened Litigation

The Charter is involved in various pending or threatening litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of such matters is not expected to have a material adverse effect on the overall financial position of Palisades Charter High School as of June 30, 2020.

NOTE 14 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Palisades Charter High School in an effort to advance the Charter’s programs and objectives. These services have not been recorded in the Charter’s financial statements because they do not meet the criteria required by generally accepted accounting principles.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 15 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, Los Angeles Unified School District, to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to \$296,218 for the fiscal year ending June 30, 2020.

Interested Persons

The Charter's Board of Trustees is designed to include representatives from all affected groups (e.g.; parents, teachers, and administrators); consequently, a minority of members of the Board of Trustees are classified as interested parties because they are also either parents, community members, administrators or employees of the Charter. Interested parties recuse themselves from any financial or other matter where they may have a conflict of interest.

Inter-Charter Activity

Receivables and payables due between Palisades Charter High School's operating units, if any, are classified as due to/from other funds within the combining statement of financial position.

NOTE 16 – SUBSEQUENT EVENTS

Palisades Charter High School has evaluated subsequent events for the period from June 30, 2020 through March XX, 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. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**PALISADES CHARTER HIGH SCHOOL
 CHARTER ORGANIZATIONAL STRUCTURE
 JUNE 30, 2020**

Palisades Charter High School, located in Pacific Palisades, California, was formed as a nonprofit public benefit corporation on February 4, 2004 for the purpose of operating Palisades Charter High School, California Charter No. 0037. The Charter is a conversion school that initially began school operation in 1993 and became an independent charter in 2003. The Charter was authorized to operate as a charter school through Los Angeles Unified School District. During 2019-20, Palisades Charter High School served approximately 2,965 students in grades 9 to 12.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Leslie Woolley	Community/Board Chair	June 30, 2020
Dara Williams	Parent	June 30, 2020
Reeve Chudd	Parent	June 30, 2020
Emily Hirsch	Community	June 30, 2021
Adam Glazer	Community	June 30, 2021
Andrew Paris	Classified	June 30, 2021
Larry Wiener	Faculty	June 30, 2020
Paula Andereson	Faculty	June 30, 2021
Brooke King	Management	June 30, 2021
Sara Margiotta	Parent	June 30, 2021
Rick Steil	Faculty	June 30, 2021

ADMINISTRATION

Dr. Pam Magee
Executive Director / Principal

Gregory Wood
Chief Business Officer

Abby Fisher
Student Representative

See accompanying notes to supplementary information.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 317,694
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	63,316
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	23,699
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611 [1]	84.027	13379	597,250
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	37,102
Department of Rehabilitation: State Vocational Rehabilitation Services Program	84.126A	*	15,649
Total U. S. Department of Education			<u>1,054,710</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	71,673
National School Lunch Program	10.555	13391	117,288
Subtotal Child Nutrition Cluster			<u>188,961</u>
Total U. S. Department of Agriculture			<u>188,961</u>
Total Federal Expenditures			<u>\$ 1,243,671</u>

[1] - Major Program

* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying notes to supplementary information.

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

	Second Period Report	Annual Report
<i>Certificate No.</i>	<u>5F8D1F5E</u>	<u>8BD539F5</u>
	<u>Classroom-Based</u>	
Grade Span		
Regular ADA		
Ninth through twelfth	2,850.38	2,850.38
Special Education		
Ninth through twelfth	4.21	4.21
Total Average Daily Attendance - Classroom-Based	<u>2,854.59</u>	<u>2,854.59</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Regular ADA		
Ninth through twelfth	52.69	52.69
Total Average Daily Attendance - Nonclassroom-Based	<u>52.69</u>	<u>52.69</u>

See accompanying notes to supplementary information.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Grade Span	Minutes Requirement	2019-20 Actual Instructional Minutes*	2019-20 Planned Number of Days	2019-20 Actual Number of Days	Number of Days Certified Closed Due to COVID-19	Status
Grades 9 through 12	64,800	66,450	177	125	52	Complied

** On June 25, 2020, the Charter certified the school was closed from March 13, 2020 to June 3, 2020 for a total of 52 instructional days closed due to COVID-19. The planned minutes covered by the COVID-19 School Closure Certification were included in the actual minutes column but were not actually offered due to the COVID-19 school closure.*

See accompanying notes to supplementary information.

**PALISADES CHARTER HIGH SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACUTALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020**

June 30, 2020, net position in the Charter School Enterprise Fund per Annual and Financial Budget Report (Unaudited Actuals)	<u>\$ (5,436,034)</u>
Adjustments:	
Increase (decrease) in total net assets:	
Prior period adjustment	16,065
Net change in liability for other postemployment benefits	(1,510,443)
Reclass negative accounts payable as current year expense	<u>(600)</u>
Net adjustments	<u>(1,494,978)</u>
June 30, 2020, net assets per audited financial statements	<u>\$ (6,931,012)</u>

See accompanying notes to supplementary information.

PALISADES CHARTER HIGH SCHOOL
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	California Public Charter School No. 0037					
	Charter School	Other Postemployment Benefits	Inter-Charter Eliminations	Charter School Total	Associated Student Body	Organization Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,677,428	\$ 5,331,522	\$ -	\$ 10,008,950	\$ 380,239	\$ 10,389,189
Investments	268,697	-	-	268,697	250,000	518,697
Accounts receivable	5,064,880	15,862	-	5,080,742	3,029	5,083,771
Inventory	-	-	-	-	12,568	12,568
Prepaid expenses	203,830	-	-	203,830	6,066	209,896
Due from other funds	-	413,720	(413,720)	-	-	-
Total current assets	10,214,835	5,761,104	(413,720)	15,562,219	651,902	16,214,121
Capital assets						
Property and equipment	14,657,974	-	-	14,657,974	15,754	14,673,728
Less accumulated depreciation	(6,872,145)	-	-	(6,872,145)	(15,754)	(6,887,899)
Capital assets, net	7,785,829	-	-	7,785,829	-	7,785,829
Total noncurrent assets	7,785,829	-	-	7,785,829	-	7,785,829
Total Assets	\$ 18,000,664	\$ 5,761,104	\$ (413,720)	\$ 23,348,048	\$ 651,902	\$ 23,999,950
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 4,126,204	\$ -	\$ -	\$ 4,126,204	\$ 114,482	\$ 4,240,686
Due to student groups	-	-	-	-	514,974	514,974
Deferred revenue	273,799	-	-	273,799	1,620	275,419
Long-term liabilities	4,690,859	21,209,024	-	25,899,883	-	25,899,883
Due to other funds	413,720	-	(413,720)	-	-	-
Total liabilities	9,504,582	21,209,024	(413,720)	30,299,886	631,076	30,930,962
Net assets						
Without donor restrictions	7,479,013	(15,447,920)	-	(7,968,907)	20,826	(7,948,081)
With donor restrictions	1,017,069	-	-	1,017,069	-	1,017,069
Total net assets	8,496,082	(15,447,920)	-	(6,951,838)	20,826	(6,931,012)
Total Liabilities and Net Assets	\$ 18,000,664	\$ 5,761,104	\$ (413,720)	\$ 23,348,048	\$ 651,902	\$ 23,999,950

See accompanying notes to supplementary information.

**PALISADES CHARTER HIGH SCHOOL
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	California Public Charter School No. 0037					
	Charter School	Other Postemployment Benefits	Inter-Charter Eliminations	Charter School Total	Associated Student Body	Organization Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
SUPPORT AND REVENUES						
Federal and state support and revenues						
Local control funding formula, state aid	\$ 20,855,920	\$ -	\$ -	\$ 20,855,920	\$ -	\$ 20,855,920
Federal revenues	1,243,671	-	-	1,243,671	-	1,243,671
Other state revenues	4,507,920	-	-	4,507,920	-	4,507,920
Total federal and state support and revenues	26,607,511	-	-	26,607,511	-	26,607,511
Local support and revenues						
Payments in lieu of property taxes	8,759,320	-	-	8,759,320	-	8,759,320
Investment income, net	2,144	124,311	-	126,455	4,019	130,474
Other local revenues	887,886	207,743	(207,743)	887,886	260,921	1,148,807
Total local support and revenues	9,649,350	332,054	(207,743)	9,773,661	264,940	10,038,601
Donor restrictions satisfied	549,871	-	-	549,871	-	549,871
Total Support and Revenues	36,806,732	332,054	(207,743)	36,931,043	264,940	37,195,983
EXPENSES						
Program services	31,344,110	1,773,378	(207,743)	32,909,745	255,757	33,165,502
Supporting services						
Management and general	4,169,639	69,464	-	4,239,103	-	4,239,103
Fundraising	209,259	-	-	209,259	-	209,259
Total Expenses	35,723,008	1,842,842	(207,743)	37,358,107	255,757	37,613,864
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,083,724	(1,510,788)	-	(427,064)	9,183	(417,881)
NET ASSETS WITH DONOR RESTRICTIONS						
State restricted sources	39,988	-	-	39,988	-	39,988
Local restricted sources	746,726	-	-	746,726	-	746,726
Donor restrictions satisfied	(549,871)	-	-	(549,871)	-	(549,871)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	236,843	-	-	236,843	-	236,843
CHANGE IN NET ASSETS	1,320,567	(1,510,788)	-	(190,221)	9,183	(181,038)
Net Assets - Beginning	7,175,515	(13,937,132)	-	(6,761,617)	11,643	(6,749,974)
Net Assets - Ending	\$ 8,496,082	\$ (15,447,920)	\$ -	\$ (6,951,838)	\$ 20,826	\$ (6,931,012)

See accompanying notes to supplementary information.

**PALISADES CHARTER HIGH 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 Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Charter and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Charter has not elected to use the 10 percent de minimis indirect cost rate.

C. 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.

D. Schedule of Instructional Time

Palisades Charter High School receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the Palisades Charter High School and whether the Charter complied with the provisions of *Education Code Section 46200* through *46208*.

E. Reconciliation of Annual and Financial Budget Report (Unaudited Actuals)

This schedule provides the information necessary to reconcile fund balance reported on the Annual and Financial Budget Report (Unaudited Actuals) to net assets on the audited financial statements. Refer to Charter School Total on the combining financial statements for ending net assets.

F. Combining Financial Statements

Palisades Charter High School statements of financial position and activities by operating unit provides information supporting the amounts incorporated in the Charter’s financial statements. The charter school includes internal funds for charter school operation and the other postemployment benefits fund. Total organization activity and balances include both the charter school and the associated student body.

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 Trustees of
Palisades Charter High School
Pacific Palisades, 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 Palisades Charter High 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 XX, 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.

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*.

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.

San Diego, California
March XX, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

To the Board of Trustees of
Palisades Charter High School
Pacific Palisades, California

Report on Compliance for Each Major Federal Program

We have audited Palisades Charter High School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Palisades Charter High School's major federal programs for the year ended June 30, 2020. Palisades Charter High School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Palisades Charter High School's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Palisades Charter High 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 for each major federal program. However, our audit does not provide a legal determination of Palisades Charter High School's compliance.

Opinion on Each Major Federal Program

In our opinion, Palisades Charter High School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Palisades Charter High School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Palisades Charter High School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Palisades Charter High School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

San Diego, California
March XX, 2021

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Trustees of
Palisades Charter High School
Pacific Palisades, California

Report on State Compliance

We have audited Palisades Charter High 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 Palisades Charter High 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 Palisades Charter High 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 Palisades Charter High 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 Palisades Charter High School's compliance with those requirements.

Opinion on State Compliance

In our opinion, Palisades Charter High 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying findings and questioned costs section as Finding 2020-001. Our opinion on state compliance is not modified with respect to these matters.

Palisades Charter High School’s response to the noncompliance findings identified in our audit are described in the accompanying findings and questioned costs section as the corrective action plan. Palisades Charter High School’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Palisades Charter High 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	Yes
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	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

San Diego, California
 March XX, 2021

FINDINGS AND QUESTIONED COSTS

**PALISADES CHARTER HIGH 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>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>Special Education: IDEA Basic Local Assistance Entitlement</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

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>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**PALISADES CHARTER HIGH 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

There were no audit findings related to the financial statements during 2019-20.

**PALISADES CHARTER HIGH SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

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

**PALISADES CHARTER HIGH 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

FINDING 2020-001: NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY (40000)

Criteria: For attendance generated through independent study, all independent study written agreements must contain the signature of the pupil, pupil’s parent/guardian, and certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)).

Condition: Through our testing of a representative sample of five (5) nonclassroom-based independent study contracts, we noted five deficiency in which the pupil did not have a complete master agreement on file for either the Fall or Spring of the 2019-20 school year. Four of the master agreements provided for review did not contain the supervising certificated employee. One of the master agreements provided for review did not contain the signature of the pupil and the supervising certificated employee. In addition, all agreements were signed after the beginning agreement date.

Effect: Loss of apportionment funding for days of attendance related to the incomplete independent study master agreement.

Cause: Procedures were not fully followed to obtain all required elements of the independent study agreement. This results in a loss of apportionment funding for days of attendance related to deficient independent study contracts and required supplemental documentation.

Repeat Finding: This is not a repeat finding.

Questioned Costs: A total of 255 attendance days from the 2019-20 school year are overstated resulting in calculated questioned costs of \$19,257. Questioned costs are calculated as follows:

Grade Span	Grades 9-12
Excess ADA	2.04
Adjusted Base Grant per ADA	\$ 9,572
Questioned Costs	\$ 19,527

Recommendations: We recommend that the Charter implement adequate procedures related to the nonclassroom-based independent study program to ensure that independent study master agreements are being filled out with all the necessary information required and signed by all necessary individuals prior to the beginning of the contract period.

Corrective Action Plan:

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

There were no audit findings and questioned costs during 2018-19.