



# PALISADES

## CHARTER HIGH SCHOOL

**CHIEF BUSINESS OFFICER**

### **COVER SHEET FOR AGENDA ITEMS**

**March 15, 2022**

#### **TOPIC/ AGENDA ITEM:**

IX. FINANCE

A. 2020-2021 Independent Audit Report

#### **PERSONNEL INVOLVED:**

Board of Trustees, Executive Director/Principal, Chief Business Officer, Finance, Audit committee, independent audit firm

#### **ISSUES INVOLVED/FISCAL IMPLICATIONS (IF ANY):**

The purpose of this action is to approve the 2020-2021 Independent Audit Report. The report covers the period of July 1, 2020, through June 30, 2021 and outlines financial statements, accounting practices, internal controls, processes, and compliance.

In accordance with California Education Code (EC § 47605[m], 41020[h], and 41020.9[b]), PCHS is required to provide its prior-year audit to our chartering authority, County Office of Education, State Superintendent of Public Instruction, and the State Controller's Office.

The audit committee has reviewed the audit report. One (1) audit finding was noted in the report and there is a narrative explanation and corrective action plan in the subsequent pages.

#### **IMPACT ON SCHOOL MISSION, VISION OR GOALS, (IF ANY):**

The action requested of the Board today will support the goal of ensuring compliance for PCHS.

#### **OPTIONS OR SOLUTIONS:**

The expectation is that the board approve the 2020-2021 Audit Report.

#### **CHIEF BUSINESS OFFICER'S RECOMMENDATION:**

The Chief Business Officer recommends that the Board approve the 2020-2021 Audit Report.

#### **RECOMMENDED MOTION:**

“To approve the 2020-2021 Financial Audit Report and corrective action plan.”

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Juan Pablo Herrera  
Chief Business Officer



Certified Public Accountants serving  
K-12 School Districts and Charter  
Schools throughout California

January 28, 2022

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

We have audited the financial statements of Palisades Charter High School for the year ended June 30, 2021, and we will issue our report thereon dated January 28, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Palisades Charter High School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2020-21 fiscal year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was

Management's estimate of the depreciation expense and its impact on accumulated depreciation is based on estimated useful lives of the fixed assets previously purchased. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure on multi-employer defined benefit plan participation in Note 13 to the financial statements. The estimated withdrawal liability is based on prior year data from actuarial studies on the retirement plans and is disclosed for information purposes only. As a nonprofit entity, there is no required recording of a net pension liability as other local educational entities (LEAs), such as school districts, would have to record under governmental accounting (GASB).

The financial statement disclosures are neutral, consistent, and clear.

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## **Significant Audit Matters (continued)**

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Recording of State on-behalf contributions to the CalSTRS retirement plan. Because the entry is a non-cash transaction with no impact on ending net assets, the Organization does not typically record this entry and relies on the audit adjustment.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 28, 2022.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Palisades Charter High School and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Christy White, Inc.  
San Diego, California



**PALISADES CHARTER HIGH SCHOOL**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2021**

**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

**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, 2021**

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## **FINANCIAL SECTION**

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

## **Reporting on Summarized Comparative Information**

We have previously audited the Palisades Charter High School's 2020 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated March 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2020, 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 January 28, 2022, 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  
January 28, 2022



**PALISADES CHARTER HIGH SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2021  
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)**

	<u>2021*</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 15,376,969	\$ 10,389,189
Investments	518,082	518,697
Accounts receivable	3,118,060	5,083,771
Inventory	12,568	12,568
Prepaid expenses	120,932	209,896
Total current assets	<u>19,146,611</u>	<u>16,214,121</u>
Capital assets		
Property and equipment	15,124,083	14,673,728
Less accumulated depreciation	<u>(7,858,399)</u>	<u>(6,887,899)</u>
Capital assets, net	<u>7,265,684</u>	<u>7,785,829</u>
<b>Total Assets</b>	<u>\$ 26,412,295</u>	<u>\$ 23,999,950</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 3,511,749	\$ 4,240,686
Due to student groups	572,183	514,974
Deferred revenue	843,490	275,419
Long-term liabilities	<u>14,536,087</u>	<u>25,899,883</u>
Total liabilities	<u>19,463,509</u>	<u>30,930,962</u>
Net assets		
Without donor restrictions	6,033,796	(7,948,081)
With donor restrictions	<u>914,990</u>	<u>1,017,069</u>
Total net assets	<u>6,948,786</u>	<u>(6,931,012)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 26,412,295</u>	<u>\$ 23,999,950</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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	2021*			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUES</b>				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 21,288,605	\$ -	\$ 21,288,605	\$ 20,855,920
Federal revenues	6,991,793	-	6,991,793	1,243,671
Other state revenues	5,921,790	-	5,921,790	4,547,908
Total federal and state support and revenues	34,202,188	-	34,202,188	26,647,499
Local support and revenues				
Payments in lieu of property taxes	8,166,176	-	8,166,176	8,759,320
Investment income, net	84,319	-	84,319	130,474
Other local revenues	835,349	431,563	1,266,912	1,895,533
Total local support and revenues	9,085,844	431,563	9,517,407	10,785,327
Donor restrictions satisfied	533,642	(533,642)	-	-
<b>Total Support and Revenues</b>	<b>43,821,674</b>	<b>(102,079)</b>	<b>43,719,595</b>	<b>37,432,826</b>
<b>EXPENSES</b>				
Program services	23,987,812	-	23,987,812	33,165,502
Supporting services				
Management and general	5,542,465	-	5,542,465	4,239,103
Fundraising	309,520	-	309,520	209,259
<b>Total Expenses</b>	<b>29,839,797</b>	<b>-</b>	<b>29,839,797</b>	<b>37,613,864</b>
<b>CHANGE IN NET ASSETS</b>	<b>13,981,877</b>	<b>(102,079)</b>	<b>13,879,798</b>	<b>(181,038)</b>
<b>Net Assets - Beginning</b>	<b>(7,948,081)</b>	<b>1,017,069</b>	<b>(6,931,012)</b>	<b>(6,749,974)</b>
<b>Net Assets - Ending</b>	<b>\$ 6,033,796</b>	<b>\$ 914,990</b>	<b>\$ 6,948,786</b>	<b>\$ (6,931,012)</b>

\*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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	2021				2020
	Program Services	Supporting Services		Total	Total
		Management and General	Fundraising		
<b>EXPENSES</b>					
Personnel expenses					
Certificated salaries	\$ 14,646,777	\$ 802,339	\$ 14,000	\$ 15,463,116	\$ 14,270,782
Non-certificated salaries	2,032,860	2,223,169	164,908	4,420,937	4,736,131
Employee benefits	786,544	1,455,537	81,403	2,323,484	11,127,480
Total personnel expenses	17,466,181	4,481,045	260,311	22,207,537	30,134,393
Non-personnel expenses					
Books and supplies	1,227,538	1,000	21,105	1,249,643	546,164
Insurance	-	306,042	-	306,042	192,879
Facilities	1,140,793	3,140	-	1,143,933	1,242,904
Professional services	2,276,519	653,943	-	2,930,462	3,382,361
Interest expense	23,796	-	-	23,796	62,164
Depreciation	970,500	-	-	970,500	871,903
Student activities	131,950	-	-	131,950	249,457
Student transportation	-	22,799	-	22,799	201,258
Payments to authorizing agency	294,547	-	-	294,547	296,218
Other operating expenses	455,988	74,496	28,104	558,588	434,163
Total non-personnel expenses	6,521,631	1,061,420	49,209	7,632,260	7,479,471
<b>Total Expenses - 2021</b>	<b>\$ 23,987,812</b>	<b>\$ 5,542,465</b>	<b>\$ 309,520</b>	<b>\$ 29,839,797</b>	
<b>Total Expenses - 2020</b>	<b>\$ 33,165,502</b>	<b>\$ 4,239,103</b>	<b>\$ 209,259</b>		<b>\$ 37,613,864</b>

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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 13,879,798	\$ (181,038)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	970,500	871,903
Forgiveness of PPP loan - cancellation of debt	(4,606,000)	-
(Increase) decrease in operating assets		
Accounts receivable	1,965,711	(3,789,522)
Prepaid expenses	88,964	(29,382)
Increase (decrease) in operating liabilities		
Accounts payable	(728,937)	1,426,629
Due to student groups	57,209	189,862
Deferred revenue	568,071	53,981
Other postemployment benefits payable	(6,770,386)	1,436,697
Compensated absences	12,590	4,231
<b>Net cash provided by (used in) operating activities</b>	<u>5,437,520</u>	<u>(16,639)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Transfer to investment accounts	615	(82,442)
Purchase of capital assets	(450,355)	(456,085)
<b>Net cash provided by (used in) investing activities</b>	<u>(449,740)</u>	<u>(538,527)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	-	4,606,000
<b>Net cash provided by (used in) financing activities</b>	<u>-</u>	<u>4,606,000</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,987,780	4,050,834
<b>Cash and cash equivalents - Beginning</b>	<u>10,389,189</u>	<u>6,338,355</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 15,376,969</u>	<u>\$ 10,389,189</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 23,796</u>	<u>\$ 62,164</u>

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

**PALISADES CHARTER HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**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”). In November 2019, the Board of Directors of the Los Angeles Unified School District approved a charter renewal for a 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* – 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.

**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, 2020, 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, 2021, 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, 2021**

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**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 Pronouncement**

**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. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2021, consists of the following:

Cash in county treasury	\$ 13,351,391
Cash in banks, non-interest bearing	2,020,076
Cash on hand or awaiting deposit	5,502
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 15,376,969</u></b>

**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, 2021, \$1,787,246 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.



**PALISADES CHARTER HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2021**

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**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

**Cash in County Treasury (continued)**

**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 \$13,276,482 and an amortized book value of \$13,351,391 as of June 30, 2021. The average weighted maturity for this pool is 1,045 days.

**Fair Value Measurement**

Investments in the Los Angeles County Treasury investment pools are not measured using the fair value input levels noted in item O of Note 1 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, 2021, Palisades Charter High School held \$518,082 in investments; \$250,000 held by the charter school in a certificate of deposit and \$268,082 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.

**PALISADES CHARTER HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2021, consists of the following:

Local control funding sources, state aid	\$	2,114,901
Federal sources		1,148
Other state sources		65,962
Due to grantor governments		219,720
Local sources		716,329
<b>Total Accounts Receivable</b>	<b>\$</b>	<b><u>3,118,060</u></b>

**NOTE 5 – CAPITAL ASSETS**

A summary of activity related to capital assets during the year ended June 30, 2021 consists of the following:

	Balance			Balance	
	July 1, 2020	Additions	Disposals	June 30, 2021	
Property and equipment					
Buildings	\$ 12,310,429	\$ 408,698	\$ -	\$ 12,719,127	
Furniture and equipment	2,188,680	216,276	-	2,404,956	
Construction in progress	174,619	-	174,619	-	
Total property and equipment	<u>14,673,728</u>	<u>624,974</u>	<u>174,619</u>	<u>15,124,083</u>	
Less accumulated depreciation	<u>(6,887,899)</u>	<u>(970,500)</u>	<u>-</u>	<u>(7,858,399)</u>	
<b>Capital Assets, net</b>	<b>\$ 7,785,829</b>	<b>\$ (345,526)</b>	<b>\$ 174,619</b>	<b>\$ 7,265,684</b>	

**NOTE 6 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2021, consists of the following:

Payroll liabilities	\$	2,316,349
Vendor payables		984,687
Due to LAUSD		208,058
Due to grantor government		2,655
<b>Total Accounts Payable</b>	<b>\$</b>	<b><u>3,511,749</u></b>

**NOTE 7 – DEFERRED REVENUE**

Deferred revenue as of June 30, 2021, consists of the following:

Federal sources	\$	191,804
State sources		359,389
Local sources		292,297
<b>Total Deferred Revenue</b>	<b>\$</b>	<b><u>843,490</u></b>

**PALISADES CHARTER HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 8 – LONG-TERM LIABILITIES**

A summary of activity related to long-term liabilities during the year ended June 30, 2021 consists of the following:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Other postemployment benefits	\$ 21,209,024	\$ -	\$ 6,770,386	\$ 14,438,638
Compensated absences	84,859	12,590	-	97,449
PPP loan	4,606,000	-	4,606,000	-
<b>Total Loans Payable</b>	<b>\$ 25,899,883</b>	<b>\$ 12,590</b>	<b>\$ 11,376,386</b>	<b>\$ 14,536,087</b>

**Other Postemployment Benefits**

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

**Compensated Absences**

As of June 30, 2021, the Charter held a compensated absences liability attributed to employee vacation pay accrued but not yet paid out of \$97,449.

**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%. The Charter applied for forgiveness with the lender and received full forgiveness from the SBA. The amount of loan forgiveness is presented as a component of federal support and revenues on the statement of activities.

**NOTE 9 – NET ASSETS**

**Net Assets with Donor Restrictions**

As of June 30, 2021, the Charter's net assets with donor restrictions consist of the following:

Local donor restrictions	
Renovation and technology	\$ 497,917
Scholarship fund	268,082
Restroom renovation	141,146
Drama program	1,292
State-imposed restrictions	
Classified employee professional development	6,553
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 914,990</b>

**PALISADES CHARTER HIGH SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2021**

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**NOTE 9 – NET ASSETS (continued)**

**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, 2021, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 7,265,684
Other postemployment benefits unfunded deficit	(11,405,619)
Board designations	
Other postemployment benefits	<u>2,489,879</u>
Total board designations	<u>2,489,879</u>
Undesignated	<u>7,683,852</u>
<b>Total Net Assets without Donor Restrictions</b>	<b><u>\$ 6,033,796</u></b>

**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Charter's financial assets as of June 30, 2021, 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	\$ 15,376,969
Investments, at cost	518,082
Accounts receivable	3,118,060
Prepaid expenses	<u>120,932</u>
Total Financial Assets, excluding noncurrent	<u>\$ 19,134,043</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(914,990)
Cash balance held for student body trusts	(572,183)
Other postemployment benefits	<u>(2,489,879)</u>
<b>Financial Assets available to meet cash needs</b>	
<b>    for expenditures within one year</b>	<b><u>\$ 15,156,991</u></b>

**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, the actuarial valuation date, there were 38 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, but before March 1, 2007, 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, 2021**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2021 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
Measurement date	June 30, 2021
Accounting standard	FASB ASC 715
Discount	5.00%
Return on assets	N/A
Medical cost trend rates	4.00 to 6.00%

*\*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, 2021 was \$2,489,879.*

**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 and was for the fiscal year ended June 30, 2021.

<b>Change in Benefit Obligation</b>	
Benefit obligation at beginning of year	\$ 21,209,024
Service cost	706,824
Interest cost	560,661
Change in assumptions	-
Change due to (gain)/loss	(7,614,097)
Projected benefits paid	(423,774)
Benefit obligation at end of year	<u>\$ 14,438,638</u>
<b>Change in Plan Assets</b>	
Fair value of plan assets at beginning of year	\$ -
Expected/actual return of plan assets	-
Employer contributions	423,774
Projected benefits paid	(423,774)
Fair value of plan assets at the end of year	<u>\$ -</u>
<b>Funded Status</b>	
Funded balance	\$ 14,438,638
Unrecognized net (gain)/loss	(7,463,431)
Unrecognized prior service cost	-
Unrecognized transition obligation	5,519,558
Net amount recognized	<u>\$ (16,382,511)</u>
<b>Amount Recognized in Unrestricted Assets</b>	
Net actuarial (gain)/loss	\$ (7,463,431)
Prior service cost	-
Unrecognized net transition obligation	5,519,558
Net amount recognized	<u>\$ (1,943,873)</u>

**PALISADES CHARTER HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Post Retirement Benefit Plan (continued)**

<b>Weighted Average Assumptions for Disclosure</b>	
Discount rate	5.00%
Initial healthcare trend rate	6.00%
Ultimate healthcare trend rate	4.00%

<b>Components of Net Periodic Benefit Cost</b>	
Service cost	\$ 706,824
Interest cost	560,661
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>\$ 1,819,441</u>

<b>Effect of 1% Increase in Healthcare Trend</b>	
Benefit obligation	\$ 17,243,943
Amount change	2,805,305
Percent change	19.4%

<b>Effect of 1% Decrease in Healthcare Trend</b>	
Benefit obligation	\$ 12,214,731
Amount change	(2,223,907)
Percent change	-15.4%

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, 2021.

At June 30, 2021, the Charter recorded the other postemployment benefit plan obligation of \$14,438,638 as a long-term liability. In response to and in anticipation of the post-retirement health benefits described, the Charter designated \$2,489,879 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>
2022	\$ 344,954
2023	379,477
2024	429,702
2025	464,943
2026	491,236
Thereafter	3,219,800
<b>Total</b>	<u>\$ 5,330,112</u>

**PALISADES CHARTER HIGH SCHOOL  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 12 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiemployer 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.

**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 2020-21 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2020-21 was 16.15% 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2020-21	\$ 2,382,587	100%
2019-20	\$ 2,409,794	100%
2018-19	\$ 2,265,596	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 \$1,410,226. The on-behalf payment amount is computed as the proportionate share of total 2019-20 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.



**PALISADES CHARTER HIGH SCHOOL  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2021**

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**NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)**

**California Public Employees’ Retirement System (CalPERS)(continued)**

**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 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 2020-21 was 20.70% of annual payroll. 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>
2020-21	\$ 758,335	100%
2019-20	\$ 730,476	100%
2018-19	\$ 705,120	100%

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Charter School Authorization**

As mentioned in Note 1A, Palisades Charter High School is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

**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 \$24,172,815 as of June 30, 2020. Also, as of June 30, 2020, CalPERS has estimated the Charter’s share of withdrawal liability to be \$7,874,859. 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.

**PALISADES CHARTER HIGH SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2021**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

**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, 2021.

**NOTE 14 – DONATED GOODS 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.

**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 \$294,547 for the fiscal year ending June 30, 2021. All other services provided by LAUSD - school policy and maintenance/operations as seen in accounts payable footnote.

**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, 2021 through January 28, 2022, the date the financial statements were available to be issued.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the new term expiration date to the charter petition mentioned in Note 1A is June 30, 2027.

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

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## **SUPPLEMENTARY INFORMATION**

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**PALISADES CHARTER HIGH SCHOOL  
LEA ORGANIZATION STRUCTURE  
JUNE 30, 2021**

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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 is authorized to operate as a charter school through Los Angeles Unified School District. During 2020-21, Palisades Charter High School served approximately 3,087 students in grades 9 to 12.

**BOARD OF TRUSTEES**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Brooke King	Management / Board Chair	June 30, 2022
Leslie Woolley	Community	June 30, 2021
Adam Glazer	Community	June 30, 2021
Emily Hirsch	Community	June 30, 2021
Sara Margiotta	Parent	June 30, 2021
Jewlz Fahn	Parent	June 30, 2022
James Wells	Parent	June 30, 2022
Paula Anderson	Faculty	June 30, 2021
John Rauschuber	Faculty	June 30, 2021
Brenda Clarke	Faculty	June 30, 2022
Andrew Paris	Classified	June 30, 2021

**ADMINISTRATION**

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Dr. Pam Magee  
*Executive Director / Principal*

Juan Pablo Herrera  
*Chief Business Officer*

Isabel Gill  
*Student Representative*

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
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	\$ 311,574
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	58,611
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	24,319
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	591,955
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	34,746
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	<u>263,390</u>
<b>Total U. S. Department of Education</b>			<u><u>1,293,973</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Summer Food Service Program for Children	10.559	13004	<u>15,099</u>
<b>Total U. S. Department of Agriculture</b>			<u><u>15,099</u></u>
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	25516	<u>1,076,721</u>
<b>Total U. S. Department of the Treasury</b>			<u><u>1,076,721</u></u>
<b>Total Federal Expenditures</b>			<u><u>\$ 2,385,793</u></u>

[1] - Major Program

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds of the Paycheck Protection Program are not subject to a Federal Single Audit.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 6,991,793
SBA: Paycheck Protection Program (PPP)	59.073	<u>(4,606,000)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u><u>\$ 2,385,793</u></u>

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2021**

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<u>Grade Span</u>	<u>2020-21 Number of Days</u>	<u>Status</u>
Grades 9 through 12	182	Complied

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2021**

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June 30, 2021, net position in the Charter School Enterprise Fund per Annual and Financial Budget Report (Unaudited Actuals)	<u>\$ (4,449,978)</u>
Adjustments:	
Increase (decrease) in total net assets:	
Prior period adjustment	15,272
Net change in liability for other postemployment benefits	6,778,092
Reclass negative accounts payable as current year expense	(600)
Write-off of PPP loan due to forgiveness	<u>4,606,000</u>
Net adjustments	<u>11,398,764</u>
June 30, 2021, net assets per audited financial statements	<u>\$ 6,948,786</u>

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

	California Public Charter School No. 0037					
	Charter School	Other Postemployment Benefits	Inter-Charter Eliminations	Charter School Total	Associated Student Body	Organization Total
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 9,556,004	\$ 5,417,692	\$ -	\$ 14,973,696	403,273	\$ 15,376,969
Investments	268,082	-	-	268,082	250,000	518,082
Accounts receivable	3,103,275	11,455	-	3,114,730	3,330	3,118,060
Inventory	-	-	-	-	12,568	12,568
Prepaid expenses	114,866	-	-	114,866	6,066	120,932
Due from other funds	-	93,751	(93,751)	-	-	-
<b>Total current assets</b>	<b>13,042,227</b>	<b>5,522,898</b>	<b>(93,751)</b>	<b>18,471,374</b>	<b>675,237</b>	<b>19,146,611</b>
Capital assets						
Property and equipment	15,108,329	-	-	15,108,329	15,754	15,124,083
Less accumulated depreciation	(7,842,645)	-	-	(7,842,645)	(15,754)	(7,858,399)
Capital assets, net	7,265,684	-	-	7,265,684	-	7,265,684
Total noncurrent assets	7,265,684	-	-	7,265,684	-	7,265,684
<b>Total Assets</b>	<b>\$ 20,307,911</b>	<b>\$ 5,522,898</b>	<b>\$ (93,751)</b>	<b>\$ 25,737,058</b>	<b>\$ 675,237</b>	<b>\$ 26,412,295</b>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities						
Accounts payable	\$ 3,416,577	\$ -	\$ -	\$ 3,416,577	95,172	\$ 3,511,749
Due to student groups	-	-	-	-	572,183	572,183
Deferred revenue	841,870	-	-	841,870	1,620	843,490
Long-term liabilities	97,449	14,438,638	-	14,536,087	-	14,536,087
Due to other funds	93,751	-	(93,751)	-	-	-
<b>Total liabilities</b>	<b>4,449,647</b>	<b>14,438,638</b>	<b>(93,751)</b>	<b>18,794,534</b>	<b>668,975</b>	<b>19,463,509</b>
Net assets						
Without donor restrictions	14,943,274	(8,915,740)	-	6,027,534	6,262	6,033,796
With donor restrictions	914,990	-	-	914,990	-	914,990
Total net assets	15,858,264	(8,915,740)	-	6,942,524	6,262	6,948,786
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,307,911</b>	<b>\$ 5,522,898</b>	<b>\$ (93,751)</b>	<b>\$ 25,737,058</b>	<b>\$ 675,237</b>	<b>\$ 26,412,295</b>

See accompanying notes to the supplementary information.



**PALISADES CHARTER HIGH SCHOOL  
COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

	California Public Charter School No. 0037				
	Charter School	Other Postemployment Benefits	Charter School Total	Associated Student Body	Organization Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>					
<b>SUPPORT AND REVENUES</b>					
Federal and state support and revenues					
Local control funding formula, state aid	\$ 21,288,605	\$ -	\$ 21,288,605	\$ -	\$ 21,288,605
Federal revenues	6,991,793	-	6,991,793	-	6,991,793
Other state revenues	5,921,790	-	5,921,790	-	5,921,790
<b>Total federal and state support and revenues</b>	<b>34,202,188</b>	<b>-</b>	<b>34,202,188</b>	<b>-</b>	<b>34,202,188</b>
Local support and revenues					
Payments in lieu of property taxes	8,166,176	-	8,166,176	-	8,166,176
Investment income, net	30,415	53,010	83,425	894	84,319
Other local revenues	718,857	-	718,857	116,492	835,349
<b>Total local support and revenues</b>	<b>8,915,448</b>	<b>53,010</b>	<b>8,968,458</b>	<b>117,386</b>	<b>9,085,844</b>
Donor restrictions satisfied	533,642	-	533,642	-	533,642
<b>Total Support and Revenues</b>	<b>43,651,278</b>	<b>53,010</b>	<b>43,704,288</b>	<b>117,386</b>	<b>43,821,674</b>
<b>EXPENSES</b>					
Program services	30,384,026	(6,528,164)	23,855,862	131,950	23,987,812
Supporting services					
Management and general	5,493,471	48,994	5,542,465	-	5,542,465
Fundraising	309,520	-	309,520	-	309,520
<b>Total Expenses</b>	<b>36,187,017</b>	<b>(6,479,170)</b>	<b>29,707,847</b>	<b>131,950</b>	<b>29,839,797</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>7,464,261</b>	<b>6,532,180</b>	<b>13,996,441</b>	<b>(14,564)</b>	<b>13,981,877</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>					
Local restricted sources	431,563	-	431,563		431,563
Donor restrictions satisfied	(533,642)	-	(533,642)	-	(533,642)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>(102,079)</b>	<b>-</b>	<b>(102,079)</b>	<b>-</b>	<b>(102,079)</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,362,182</b>	<b>6,532,180</b>	<b>13,894,362</b>	<b>(14,564)</b>	<b>13,879,798</b>
<b>Net Assets - Beginning</b>	<b>8,496,082</b>	<b>(15,447,920)</b>	<b>(6,951,838)</b>	<b>20,826</b>	<b>(6,931,012)</b>
<b>Net Assets - Ending</b>	<b>\$ 15,858,264</b>	<b>\$ (8,915,740)</b>	<b>\$ 6,942,524</b>	<b>\$ 6,262</b>	<b>\$ 6,948,786</b>

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL  
NOTES TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**A. LEA Organization Structure**

This schedule provides information about the local education agency (LEA or charter school), including the 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 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 Instructional Time**

This schedule presents information on the number of instructional days offered by the Palisades Charter High School and whether the Charter complied with the provisions of *Education Code Section 47612*.

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

This schedule provides the information necessary to reconcile net position in the Charter Schools Enterprise Fund 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.

**E. 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.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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, 2021, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated January 28, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive style.

San Diego, California  
January 28, 2022

**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, 2021. 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, 2021.

## **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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive style.

San Diego, California  
January 28, 2022

**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 *2020-21 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, 2021, 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 audit requirements of the *2020-21 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, 2021.



**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, and which is described in the accompanying schedule of findings and questioned costs as Finding 2021-001. Our opinion on state compliance is not modified with respect to this matter.

Palisades Charter High School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs 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:

Description	Procedures Performed
<b>Local Education Agencies</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Instructional Time	Yes
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
K-3 Grade Span Adjustment	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
<b>School Districts, County Offices of Education and Charter Schools</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
<b>Charter Schools</b>	
Independent Study – Course Based	Not applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Charter School Facility Grant Program	Not applicable



San Diego, California  
 January 28, 2022

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**PALISADES CHARTER HIGH SCHOOL  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**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>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation

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, 2021**

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**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 2020-21.

**PALISADES CHARTER HIGH SCHOOL  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FIVE DIGIT CODE**  
50000

**AB 3627 FINDING TYPE**  
Federal Compliance

There were no audit findings and questioned costs related to federal awards during 2020-21.

**PALISADES CHARTER HIGH SCHOOL  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING 2021-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)**

**Criteria:** Students designated as Free and Reduced Meal (FRPM) eligible and English Learners (EL), who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report, must have supporting documentation that indicates the student was eligible for their status. The unduplicated local control funding formula pupil count affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with California Education Code Section 42238.02(b)(3)(B) in Section W of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

**Condition:** Based on student designations from the 2020-21 CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report, we noted one student should have been designated as Reclassified Fluent English Proficient (RFEP) as the student was reclassified from an English Learner in 2018. As a result, the total population excluding directly certified, foster youth, and homeless students, was noted to be in error.

**Effect:** The Charter is not in compliance with State requirements. A total of one (1) student are ineligible for EL designation.

**Cause:** Clerical oversight.

**Questioned Cost:** \$557 as calculated in the table on the following page using guidance from the California Department of Education (CDE).

**PALISADES CHARTER HIGH SCHOOL  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINDING 2021-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)  
(continued)**

**Questioned Cost (continued):**

<b>Calculating the Cost of LCFF Unduplicated Pupil Count Audit Finding</b>	<b>Data Input and Calculated Fields</b>
Total Adjusted Enrollment from the UPP exhibit as of P-2	9,093
Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	2,657
Audit Adjustment - Number of Enrollment	-
Audit Adjustment - Number of Unduplicated Pupil Count	(1)
Revised Adjusted Enrollment	9,093
Revised Adjusted Unduplicated Pupil Count	2,656
UPP calculated as of P-2	0.2922
Revised UPP for audit finding	0.2921
<b>Charter Schools Only: Determinative School District Concentration Cap</b>	<b>0.8518</b>
Revised UPP adjusted for Concentration Cap	<b>0.2921</b>
Supplemental and Concentration Grant TK/K–3 ADA	0.00
Supplemental and Concentration Grant 4–6 ADA	0.00
Supplemental and Concentration Grant 7–8 ADA	0.00
Supplemental and Concentration Grant 9–12 ADA	2,907.28
Adjusted Base Grant per TK/K–3 ADA	\$8,503
Adjusted Base Grant per 4–6 ADA	\$7,818
Adjusted Base Grant per 7–8 ADA	\$8,050
Adjusted Base Grant per 9–12 ADA	\$9,572
Supplemental Grant Funding calculated as of P-2	\$1,626,297
Revised Supplemental Grant Funding for audit finding	\$1,625,740
Supplemental Grant Funding audit adjustment	<b>(\$557)</b>
Concentration Grant Funding calculated as of P-2	\$0
Revised Concentration Grant Funding for audit finding	\$0
Concentration Grant Funding audit adjustment	<b>\$0</b>
Total Supplemental and Concentration audit adjustment	<b>(\$557)</b>

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend reconciling the CALPADS 1.18 FRPM/English Learner/Foster Youth –Student List report with the student information system before submitting to CDE to verify all student designations are correct.

**Corrective Action Plan:** Palisades Charter High School has a new English Language Coordinator overseeing ELPAC testing. Additional checkpoints have been identified for the English Language Coordinator, Information Services Manager, Database Manager and Assistant Principal. Additionally, the Assistant Principal and Principal will be provided a training refresh on the CALPADS reporting process to provide oversight.

**PALISADES CHARTER HIGH SCHOOL  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021**

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**FINDING 2020-001: NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY (10000)**

**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 deficiencies 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:

<b>Grade Span</b>	<b>Grades 9-12</b>
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 has modified its enrollment and approval process for incoming scholars. Additional checkpoints have been created for the Independent Study Coordinator and Information Services Manager. Internal auditing will occur on a weekly basis by the Director of Attendance & Admissions.

**Current Status:** Implemented.





**Audit finding 2021-001: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)**

**a. Detailed explanation and/or root-cause analysis regarding the audit finding;**

Based on student designations from the 2020-21 CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List report, there was one (1) student who was designated as an EL student. However, this student was reclassified from an English Learner in 2018 and should have instead been designated RFEP.

The student enrolled at Palisades Charter High School in August of 2018. At that time, the student was designated an EL student by the previous school (████████ Middle School). Unfortunately, there was a lag in the data transfer, and in December of 2018, PCHS received the student's ELPAC scores from ██████████ Middle School. The scores reclassified the student from Limited-English Proficient to Fluent-English Proficient (RFEP), and as a result, the student did not take a summative ELPAC in the 2018-2019 year.

Given the lag in data transfer (ELPAC scores) from ██████████ Middle School to Palisades Charter High School, the student was not immediately reclassified. Our student information system (Infinite Campus) was not updated to reflect the student's reclassification status, and that data was then used for CALPADS reporting purposes. During our 2020-2021 audit, PCHS was made aware of this clerical error. The school also reached out to ██████████ Middle School to discuss the lag in reporting for this student.

**b. Corrective Action Plan - description of specific steps/plan to address the deficiency going forward and question costs, if applicable:**

The fiscal impact of the question costs is minimal (\$557). However, the school is taking the appropriate steps to ensure accurate student data in the future. We have identified additional touchpoints (quarterly) between the English Learner Coordinator, Information Services Manager, Data manager, Student Assistant Principal, and Executive Director. The meetings will touch on process review and identifying ways to audit student data for accuracy. Meaning, reconciliation of student information across various systems. In addition, we will ensure that key individuals participate in the CALPADS training provided by the Los Angeles County Office of Education.

**c. Status of corrective action plan.**

The corrective action will be presented at the March 15, 2022 board meeting for review, discussion, and approval.