



CHIEF BUSINESS OFFICER

COVER SHEET FOR AGENDA ITEMS

February 28, 2023

TOPIC/ AGENDA ITEM:

VI. FINANCE

B. 2021-2022 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 2021-2022 Independent Audit Report. The report covers the period of July 1, 2021, through June 30, 2022, 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 it's 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. Two (2) audit finding were 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 2021-2022 Audit Report.

CHIEF BUSINESS OFFICER'S RECOMMENDATION:

The Chief Business Officer recommends that the Board approve the 2021-2022 Audit Report.

RECOMMENDED MOTION:

"To approve the 2021-2022 Independent Audit Report."

Juan Pablo Herrera
Chief Business Officer

February 3, 2023

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, 2022, and we will issue our report thereon dated February 3, 2023. 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 March 7, 2022. 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 2021-22 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.

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 February 3, 2023.

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,

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

Christy White, Inc.
San Diego, California



PALISADES CHARTER HIGH SCHOOL

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

**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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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements**Opinion**

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

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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* 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 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.

Report on Summarized Comparative Information

We have previously audited Palisades Charter High School's 2020-21 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it was been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of Palisades Charter High School'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 Palisades Charter High School's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
February 3, 2023

PALISADES CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021)

	2022*	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 17,488,865	\$ 15,376,969
Investments	485,681	518,082
Accounts receivable	2,262,482	3,118,060
Inventory	12,568	12,568
Prepaid expenses	111,135	120,932
Total current assets	<u>20,360,731</u>	<u>19,146,611</u>
Capital assets		
Property and equipment	15,560,212	15,124,083
Less accumulated depreciation	<u>(8,830,006)</u>	<u>(7,858,399)</u>
Capital assets, net	<u>6,730,206</u>	<u>7,265,684</u>
Total Assets	<u>\$ 27,090,937</u>	<u>\$ 26,412,295</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 6,859,622	\$ 3,511,749
Due to student groups	741,483	572,183
Deferred revenue	1,446,087	843,490
Long-term liabilities	<u>10,359,534</u>	<u>14,536,087</u>
Total liabilities	<u>19,406,726</u>	<u>19,463,509</u>
Net assets		
Without donor restrictions	6,561,595	6,033,796
With donor restrictions	<u>1,122,616</u>	<u>914,990</u>
Total net assets	<u>7,684,211</u>	<u>6,948,786</u>
Total Liabilities and Net Assets	<u>\$ 27,090,937</u>	<u>\$ 26,412,295</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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	2022*			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Federal and state support and revenues				
Local control funding formula, state aid	\$ 20,918,785	\$ -	\$ 20,918,785	\$ 21,288,605
Federal revenues	3,370,058	-	3,370,058	6,991,793
Other state revenues	4,004,836	-	4,004,836	5,921,790
Total federal and state support and revenues	28,293,679	-	28,293,679	34,202,188
Local support and revenues				
Payments in lieu of property taxes	8,804,627	-	8,804,627	8,166,176
Investment income, net	(85,309)	-	(85,309)	84,319
Other local revenues	3,286,103	602,705	3,888,808	1,266,912
Total local support and revenues	12,005,421	602,705	12,608,126	9,517,407
Donor restrictions satisfied	395,079	(395,079)	-	-
Total Support and Revenues	40,694,179	207,626	40,901,805	43,719,595
EXPENSES				
Program services	33,318,064	-	33,318,064	23,987,812
Supporting services				
Management and general	6,836,532	-	6,836,532	5,542,465
Fundraising	11,784	-	11,784	309,520
Total Expenses	40,166,380	-	40,166,380	29,839,797
CHANGE IN NET ASSETS	527,799	207,626	735,425	13,879,798
Net Assets - Beginning	6,033,796	914,990	6,948,786	(6,931,012)
Net Assets - Ending	\$ 6,561,595	\$ 1,122,616	\$ 7,684,211	\$ 6,948,786

**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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	2022				2021
	Program Services	Supporting Services Management and General	Fundraising	Total	Total
EXPENSES					
Personnel expenses					
Certificated salaries	\$ 15,040,417	\$ 773,617	\$ -	\$ 15,814,034	\$ 14,270,782
Non-certificated salaries	1,766,380	2,855,871	-	4,622,251	4,736,131
Employee benefits	8,744,486	1,912,733	-	10,657,219	11,127,480
Total personnel expenses	25,551,283	5,542,221	-	31,093,504	30,134,393
Non-personnel expenses					
Books and supplies	1,110,813	61,550	-	1,172,363	546,164
Insurance	-	407,999	-	407,999	192,879
Facilities	1,069,805	72,040	-	1,141,845	1,242,904
Professional services	3,574,914	578,986	-	4,153,900	3,382,361
Interest expense	-	-	11,784	11,784	62,164
Depreciation	971,607	-	-	971,607	871,903
Student activities	305,009	-	-	305,009	249,457
Student transportation	556	79,027	-	79,583	201,258
Payments to authorizing agency	295,012	-	-	295,012	296,218
Other operating expenses	439,065	94,709	-	533,774	434,163
Total non-personnel expenses	7,766,781	1,294,311	11,784	9,072,876	7,479,471
Total Expenses - 2022	\$ 33,318,064	\$ 6,836,532	\$ 11,784	\$ 40,166,380	
Total Expenses - 2021	\$ 33,165,502	\$ 4,239,103	\$ 209,259		\$ 37,613,864

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, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 735,425	\$ 13,879,798
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	971,607	970,500
Forgiveness of PPP loan - cancellation of debt	-	(4,606,000)
(Increase) decrease in operating assets		
Accounts receivable	855,578	1,965,711
Prepaid expenses	9,797	88,964
Increase (decrease) in operating liabilities		
Accounts payable	3,347,873	(728,937)
Due to student groups	169,300	57,209
Deferred revenue	602,597	568,071
Other postemployment benefits payable	(4,176,553)	(6,770,386)
Compensated absences	-	12,590
Net cash provided by (used in) operating activities	<u>2,515,624</u>	<u>5,437,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer to investment accounts	32,401	615
Purchase of capital assets	(436,129)	(450,355)
Net cash provided by (used in) investing activities	<u>(403,728)</u>	<u>(449,740)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,111,896	4,987,780
Cash and cash equivalents - Beginning	<u>15,376,969</u>	<u>10,389,189</u>
Cash and cash equivalents - Ending	<u>\$ 17,488,865</u>	<u>\$ 15,376,969</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 11,784</u>	<u>\$ 23,796</u>

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

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. Per AB 130, the new expiration end date is June 30, 2027. 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, 2021, 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.

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022, 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.

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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, 2022, consists of the following:

Cash in county treasury	\$ 12,747,906
County treasury fair value adjustment	(527,665)
Cash in banks, non-interest bearing	5,264,655
Cash on hand or awaiting deposit	3,969
Total Cash and Cash Equivalents	<u>\$ 17,488,865</u>

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, 2022, \$3,089,838 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.

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury

Policies and Practices

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the County Treasury. The Charter's investments in the Los Angeles County Investment Pool, which combines the Charter's share of the portfolio, has a combined fair value of \$12,220,241. The average weighted maturity for this pool is 933 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.

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 3 – INVESTMENTS

At June 30, 2022, Palisades Charter High School held \$485,681 in investments; \$250,000 held by the charter school in a certificate of deposit and \$235,681 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.

The Charter also holds \$4,852,673 in investment accounts that are considered trust or plan assets associated with the Charter's postemployment benefit plan. Refer to Note 11 for additional information.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consists of the following:

Local control funding sources, state aid	\$	218,738
Federal sources		1,706,212
Other state sources		337,532
Total Accounts Receivable	\$	<u>2,262,482</u>

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2022 consists of the following:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Property and equipment				
Buildings	\$ 12,719,127	\$ 260,974	\$ -	\$ 12,980,101
Furniture and equipment	2,404,956	175,155	-	2,580,111
Total property and equipment	15,124,083	436,129	-	15,560,212
Less accumulated depreciation	(7,858,399)	(971,607)	-	(8,830,006)
Capital Assets, net	\$ 7,265,684	\$ (535,478)	\$ -	\$ 6,730,206

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2022, consists of the following:

Payroll liabilities	\$	2,545,924
Vendor payables		2,495,521
Due to LAUSD		154,740
Due to grantor government		1,663,437
Total Accounts Payable	\$	<u>6,859,622</u>

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of June 30, 2022, consists of the following:

Federal sources	\$	495,037
State sources		799,661
Local sources		151,389
Total Deferred Revenue	\$	1,446,087

NOTE 8 – LONG-TERM LIABILITIES

A summary of activity related to long-term liabilities during the year ended June 30, 2022 consists of the following:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Net other postemployment benefits	\$ 14,438,638	\$ -	\$ 4,176,553	\$ 10,262,085
Compensated absences	97,449	-	-	97,449
Total Long-Term Liabilities	\$ 14,536,087	\$ -	\$ 4,176,553	\$ 10,359,534

Other Postemployment Benefits

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

Compensated Absences

As of June 30, 2022, the Charter held a compensated absences liability attributed to employee vacation pay accrued but not yet paid out of \$97,449.

NOTE 9 – NET ASSETS

Net Assets with Donor Restrictions

As of June 30, 2022, the Charter's net assets with donor restrictions consist of the following:

Local donor restrictions	
Renovation and technology	\$ 737,944
Scholarship fund	235,681
Restroom renovation	141,146
Drama program	1,292
State-imposed restrictions	
Classified employee professional development	6,553
Total Net Assets with Donor Restrictions	\$ 1,122,616

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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, 2022, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 6,730,206
Net other postemployment benefits unfunded deficit	(7,136,626)
Board designations	
Other postemployment benefits	2,517,038
Total board designations	2,517,038
Undesignated	4,450,977
Total Net Assets without Donor Restrictions	\$ 6,561,595

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2022, 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	\$ 17,488,865
Investments, at cost	485,681
Accounts receivable	2,262,482
Prepaid expenses	111,135
Inventory	12,568
Total Financial Assets, excluding noncurrent	\$ 20,360,731
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(1,122,616)
Cash balance held for student body trusts	(741,483)
Board designations	
Other postemployment benefits	(2,517,038)
Financial Assets available to meet cash needs	
for expenditures within one year	\$ 15,979,594

NOTE 11– NET OTHER POSTEMPLOYMENT BENEFITS

As previously mentioned in Note 6, Palisades Charter High School holds a liability associated with a postemployment benefit plan amounting to a net balance of \$10,262,085 as of June 30, 2022. There was a net decrease in the liability of \$4,176,553 from the beginning balance of \$14,438,638. The total liability is offset by investments maintained by the Charter and specifically held to fund the postemployment benefit plan.

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.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11– NET OTHER POSTEMPLOYMENT BENEFITS (continued)

Benefits Provided

The Charter currently provides medical, dental and vision benefits to approximately 105 eligible active employees. Additionally, as of June 30, 2021, the actuarial valuation date, there were 38 retirees eligible for benefits. The Charter 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-paid health benefits at retirement.

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

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation projected for the fiscal year ended June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2021
Accounting standard	FASB ASC 715
Discount	5.00%
Return on assets	Not reported*
Medical cost trend rates	4.00 to 5.20%
Dental and vision cost trend rates	3.00%

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – NET OTHER POSTEMPLOYMENT BENEFITS (continued)

Post Retirement Benefit Plan

The following information relating to the Charter's total postretirement plan liability is contained in the actuarial valuation as of June 30, 2021 and was projected for the fiscal year ended June 30, 2022. The information relating to the trust assets does not appear within the actuarial report as information was not available at the time the actuarial valuation was performed. The Charter is to obtain a new valuation every year.

	<u>June 30, 2022</u>
Total Postretirement Plan Liability	
Service cost	\$ 431,934
Interest cost	712,333
Change in plan provisions	-
Actuarial loss/(gain)	-
Benefits payments	<u>(468,147)</u>
Net change	676,120
Total liability - beginning	<u>14,438,638</u>
Total liability - ending (a)	<u>\$ 15,114,758</u>
 Trust Assets	
Contributions - employer	\$ 5,000,000
Actual return on assets	<u>(147,327)</u>
Net change	4,852,673
Trust assets - beginning	<u>-</u>
Trust assets - ending (b)	<u>\$ 4,852,673</u>
 Net other postemployment benefits liability - ending (a) - (b)	<u>\$ 10,262,085</u>
 Balance of trust assets as a percentage of the total postretirement plan liability	 32%

During the fiscal year ended June 30, 2022, the Charter established trust assets with an initial contribution of \$5,000,000. Additionally, as of June 30, 2022, the Charter's board has designated \$2,517,038 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>
2023	\$ 429,702
2024	464,943
2025	491,236
2026	537,407
2027	599,189
2028 - 2070	<u>3,725,273</u>
Total	<u>\$ 6,247,750</u>

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Fair Value of Plan Assets

In accordance with FASB ASC No. 715-60, *Defined Benefit Plans – Other Postretirement*, the Charter has recognized the funded status of its postemployment retirement plan and measured the plan as the difference between fair value of plan assets and the accumulated postretirement benefit obligation. As mentioned in Note 3 covering investments, the Charter holds \$4,852,673 in investment accounts that are specifically earmarked as trust or plan assets for the postemployment benefit plan. The following table provides a description and sets forth, by level within the fair value hierarchy explained in item O of Note 1, the Charter's trust assets as of June 30, 2022.

	Market Value	Fair Value Classification			At Cost
		Level 1	Level 2	Level 3	
Equity securities	\$ 200,103	\$ 200,103	\$ -	\$ -	\$ 239,945
Fixed income securities	1,072,207	1,072,207	-	-	1,179,692
Cash/money accounts	3,580,363	3,580,363	-	-	3,580,363
Total Trust Assets	\$ 4,852,673	\$ 1,590,337	\$ -	\$ -	\$ 5,000,000

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 2021-22 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2021-22 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2021-22	\$ 2,510,488	100%
2020-21	\$ 2,382,587	100%
2019-20	\$ 2,409,794	100%

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS) (continued)

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 \$1,694,330. The on-behalf payment amount is computed as the proportionate share of total 2020-21 State on-behalf contributions.

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

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

Palisades Charter High School 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 2021-22 was 22.91% 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:

	Contribution	Percent of Required Contribution
2021-22	\$ 853,711	100%
2020-21	\$ 758,335	100%
2019-20	\$ 730,476	100%

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

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.

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 for the charter petition is June 30, 2027.

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 \$11,989,210 as of June 30, 2021. Also, as of June 30, 2021, CalPERS has estimated the Charter's share of withdrawal liability to be \$5,162,145. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 12 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2022.

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. The Charter did not receive any donated items during the fiscal year ended June 30, 2022.

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 \$295,012 for the fiscal year ending June 30, 2022.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 15 – RELATED PARTY TRANSACTIONS (continued)

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, 2022 through February 3, 2023, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

PALISADES CHARTER HIGH SCHOOL
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022

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 2021-22, Palisades Charter High School served approximately 3,087 students in grades 9 to 12.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Dara Williams	Community / Board Chair	June 30, 2022
Jack Seltzer	Community	June 30, 2023
Monica Batts-King	Parent	June 30, 2023
Sara Margiotta	Community	June 30, 2023
Jewlz Fahn	Parent	June 30, 2022
James Wells	Parent	June 30, 2022
Lisa Saxon	Faculty	June 30, 2023
Maggie Nance	Faculty	June 30, 2022
Brenda Clarke	Faculty	June 30, 2022
Andrew Paris	Classified	June 30, 2022
Brooke King	Management	June 30, 2022

ADMINISTRATION

Dr. Pam Magee
Executive Director / Principal

Juan Pablo Herrera
Chief Business Officer

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

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	\$ 270,113
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	56,270
Title III, English Learner Student Program	84.365	14346	3,128
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	22,209
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	833,673
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	37,861
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	107,643
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	23
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	867,501
Subtotal Education Stabilization Fund Discretionary Grants			<u>975,167</u>
Total U. S. Department of Education			<u>2,198,421</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO: [1]			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	170,318
National School Lunch Program	10.555	13391	452,707
Supply Chain Assistance (SCA) Funds	10.555	15655	74,219
Subtotal Child Nutrition Cluster			<u>697,244</u>
Pandemic EBT Local Administrative Grant	10.649	15644	1,562
Total U. S. Department of Agriculture			<u>698,806</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Epidemiology and Laboratory Capacity (ELC) Reopening Schools Grant	93.323	*	472,831
Total U. S. Department of Health & Human Services			<u>472,831</u>
Total Federal Expenditures			<u>\$ 3,370,058</u>

[1] - Major Program

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

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Second Period Report</u>	<u>Annual Report</u>
	<u>Classroom-Based</u>	
Grade Span		
Ninth through twelfth	<u>2,631.62</u>	<u>2,626.90</u>
Total Average Daily Attendance - Classroom-Based	<u>2,631.62</u>	<u>2,626.90</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Ninth through twelfth	<u>140.17</u>	<u>140.17</u>
Total Average Daily Attendance - Nonclassroom-Based	<u>140.17</u>	<u>140.17</u>

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Grade Span</u>	<u>Minutes Requirement</u>	<u>2021-22 Instructional Minutes</u>	<u>2021-22 Number of Days</u>	<u>Status</u>
Grades 9 through 12	64,800	74,828	175	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, 2022**

June 30, 2022, net position in the Charter Schools Enterprise Fund per Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ 8,968,923</u>
Adjustments:	
Increase (decrease) in total net assets:	
Prior period restatement	(107,830)
Net change in liability for other postemployment benefits	(661,559)
Record fair value adjustment to cash in county treasury	<u>(527,665)</u>
Net adjustments	<u>(1,297,054)</u>
June 30, 2022, net assets per audited financial statements*	<u>\$ 7,671,869</u>

*Refer to net assets for "Charter School Total" on the combining financial statements.

PALISADES CHARTER HIGH SCHOOL
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	California Public Charter School No. 0037					
	Charter School	Other Postemployment Benefits	Inter-Charter Eliminations	Charter School Total	Associated Student Body	Organization Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 16,371,580	\$ 438,440	\$ -	\$ 16,810,020	678,845	\$ 17,488,865
Investments	235,681	-	-	235,681	250,000	485,681
Accounts receivable	2,260,146	1,286	-	2,261,432	1,050	2,262,482
Inventory	-	-	-	-	12,568	12,568
Prepaid expenses	105,069	-	-	105,069	6,066	111,135
Due from other funds	-	202,771	(202,771)	-	-	-
Total current assets	18,972,476	642,497	(202,771)	19,412,202	948,529	20,360,731
Capital assets						
Property and equipment	15,544,458	-	-	15,544,458	15,754	15,560,212
Less accumulated depreciation	(8,814,252)	-	-	(8,814,252)	(15,754)	(8,830,006)
Capital assets, net	6,730,206	-	-	6,730,206	-	6,730,206
Total noncurrent assets	6,730,206	-	-	6,730,206	-	6,730,206
Total Assets	\$ 25,702,682	\$ 642,497	\$ (202,771)	\$ 26,142,408	\$ 948,529	\$ 27,090,937
LIABILITIES AND NET ASSETS						
Liabilities						
Accounts payable	\$ 6,734,426	\$ -	\$ -	\$ 6,734,426	125,196	\$ 6,859,622
Due to student groups	-	-	-	-	741,483	741,483
Deferred revenue	1,444,467	-	-	1,444,467	1,620	1,446,087
Long-term liabilities	97,449	10,262,085	-	10,359,534	-	10,359,534
Due to other funds	202,771	-	(202,771)	-	-	-
Total liabilities	8,479,113	10,262,085	(202,771)	18,538,427	868,299	19,406,726
Net assets						
Without donor restrictions	16,100,953	(9,619,588)	-	6,481,365	80,230	6,561,595
With donor restrictions	1,122,616	-	-	1,122,616	-	1,122,616
Total net assets	17,223,569	(9,619,588)	-	7,603,981	80,230	7,684,211
Total Liabilities and Net Assets	\$ 25,702,682	\$ 642,497	\$ (202,771)	\$ 26,142,408	\$ 948,529	\$ 27,090,937

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	California Public Charter School No. 0037				Associated	Organization
	Charter School	Other Postemployment Benefits	Inter-Charter Eliminations	Charter School Total	Student Body	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
SUPPORT AND REVENUES						
Federal and state support and revenues						
Local control funding formula, state aid	\$ 20,918,785	\$ -	\$ -	\$ 20,918,785	\$ -	\$ 20,918,785
Federal revenues	3,370,058	-	-	3,370,058	-	3,370,058
Other state revenues	4,004,836	-	-	4,004,836	-	4,004,836
Total federal and state support and revenues	28,293,679	-	-	28,293,679	-	28,293,679
Local support and revenues						
Payments in lieu of property taxes	8,804,627	-	-	8,804,627	-	8,804,627
Investment income, net	34,318	(120,168)	-	(85,850)	541	(85,309)
Other local revenues	2,907,350	282,705	(282,705)	2,907,350	378,753	3,286,103
Total local support and revenues	11,746,295	162,537	(282,705)	11,626,127	379,294	12,005,421
Donor restrictions satisfied	395,079	-	-	395,079	-	395,079
Total Support and Revenues	40,435,053	162,537	(282,705)	40,314,885	379,294	40,694,179
EXPENSES						
Program services	32,538,482	756,961	(282,705)	33,012,738	305,326	33,318,064
Supporting services						
Management and general	6,727,108	109,424	-	6,836,532	-	6,836,532
Fundraising	11,784	-	-	11,784	-	11,784
Total Expenses	39,277,374	866,385	(282,705)	39,861,054	305,326	40,166,380
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,157,679	(703,848)	-	453,831	73,968	527,799
NET ASSETS WITH DONOR RESTRICTIONS						
Local restricted sources	602,705	-	-	602,705	-	602,705
Donor restrictions satisfied	(395,079)	-	-	(395,079)	-	(395,079)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	207,626	-	-	207,626	-	207,626
CHANGE IN NET ASSETS	1,365,305	(703,848)	-	661,457	73,968	735,425
Net Assets - Beginning	15,858,264	(8,915,740)	-	6,942,524	6,262	6,948,786
Net Assets - Ending	\$ 17,223,569	\$ (9,619,588)	\$ -	\$ 7,603,981	\$ 80,230	\$ 7,684,211

See accompanying notes to the supplementary information.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

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 Average Daily Attendance

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

D. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Palisades Charter High School and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

E. Reconciliation of Annual Financial and 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 Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements. Refer to Charter School Total on the combining financial statements for ending net assets.

F. Combining Financial Statements

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

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

To the Board of Directors 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, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated February 3, 2023.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001 that we consider to be a significant deficiency.

Report on 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*.

Palisades Charter High School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Palisades Charter High School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs as the corrective action plan. The Charter's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
February 3, 2023

**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 Directors of
Palisades Charter High School
Pacific Palisades, California

Report on Compliance for Each Major Federal Program**Qualified and Unmodified Opinions**

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, 2022. 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.

Qualified Opinion on Education Stabilization Fund Discretionary Grants

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Palisades Charter High School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Education Stabilization Fund Discretionary Grants for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Basis for Opinion on Each Major Federal Program (continued)

Matter Giving Rise to Qualified Opinion on Education Stabilization Fund Discretionary Grants

As described in the accompanying schedule of findings and questioned costs, Palisades Charter High School did not comply with requirements regarding Assistance Listing No. 84.425 and 84.425C Education Stabilization Fund Discretionary Grants as described in Finding 2022-002 for Equipment/Real Property Management. Compliance with such requirements is necessary, in our opinion, for Palisades Charter High School to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Other Matters (continued)

Government Auditing Standards requires the auditor to perform limited procedures on Palisades Charter High School's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Palisades Charter High School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on Palisades Charter High School's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Palisades Charter High School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Christy White, Inc.

San Diego, California
February 3, 2023

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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

Report on State Compliance**Opinion on State Compliance**

We have audited Palisades Charter High School's compliance with the types of compliance requirements described in the *2021-22 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, 2022, as identified below.

In our opinion, Palisades Charter High School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Palisades Charter High School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Palisades Charter High School's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Palisades Charter High School's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Palisades Charter High School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Palisades Charter High School's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Palisades Charter High School's compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
February 3, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**PALISADES CHARTER HIGH SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

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

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued:	<u>Qualified/Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>Yes</u>
Identification of major programs:	
<u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u>	
84.425, 84.425C Education Stabilization Fund Discretionary Grants	
10.553, 10.555 Child Nutrition Cluster	

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>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**PALISADES CHARTER HIGH SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-001: OTHER POSTEMPLOYMENT BENEFIT LIABILITY REPORTING (30000)

Criteria: In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715, *Compensation — Retirement Benefits*, an actuarial study is required annually for other postemployment benefit (OPEB) plans. The actuarial study enables the Charter to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

Condition: The Charter's most recent actuarial study is dated December 7, 2021. The Charter has not yet obtained an actuarial study for the 2021-22 fiscal year; therefore, the net other postemployment liability was not properly reported to consider the newly established trust asset and required audit adjustment.

Context: The incident appears isolated. Since the required implementation of FASB ASC 715 by the Charter, the Charter has obtained an annual actuarial study.

Effect: The Charter did not adhere to the requirements of FASB ASC 715. The recent actuarial study does not provide an accurate projection of the Charter's OPEB liability as of June 30, 2022 because it does not include the Charter's \$5 million investment in the OPEB trust asset.

Cause: The current actuarial study is in progress but was not completed in time for this report.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Charter obtain a new actuarial study on its OPEB obligation for the fiscal year 2021-22 and rely on the study for only one fiscal year before obtaining another OPEB actuarial study.

Corrective Action Plan: The Charter was working closely with the Actuary and provided them with all the information needed to issue a new actuarial study before the audit report date. However, the Actuary was unable to complete the report on time. The Charter will have a new actuarial study completed before the close of the current fiscal year 2022-23.

**PALISADES CHARTER HIGH SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-002: EDUCATION STABILIZATION FUND DISCRETIONARY GRANTS– SPECIAL TESTS AND PROVISIONS (50000 & 30000)

CFDA Number and Title: 84.425 and 84.425C - Education Stabilization Fund Discretionary Grants: Governor's Emergency Education Relief (GEER) Fund and Elementary, Secondary School Emergency Relief (ESSER) Fund

Federal Grantor Name: U.S. Department of Education; Passed through California Department of Education

Criteria: Consistent with 2 CFR section 200.311 (real property), section 200.313 (equipment), and section 200.439 (equipment and other capital expenditures) Education Stabilization Funds (ESF) may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by Education Department (ED) or the pass-through entity. In addition, with prior approval by the ED or the pass-through entity, recipients and subrecipients may use ESF funds to purchase real property and perform construction for improvements to land, buildings, or equipment that meet the overall purpose of the ESF program, which is "to prevent, prepare for, and respond to" the COVID-19 pandemic.

Condition: The Charter used funding from the Elementary and Secondary School Emergency Relief II (ESSER II) Fund program for one capital expenditure. The funding terms and conditions require the Charter to obtain approval from the funding agency prior to incurring the expenditure. The Charter was unable to provide documentation that the required approval was obtained.

Cause: The error is a result of the Charter not understanding the terms and conditions of the requirements of the grant agreement.

Effect: The effect of not obtaining the required approval resulted in a total of \$90,000 in allowable ESF expenditures. Additionally, this error could result in potential loss of funding under this grant.

Context: Due to new COVID-19 Emergency Acts Funding this fiscal year, the Charter was unaware this was a requirement for ESSER and GEER.

Questioned Costs: The questioned cost is \$90,000.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the Charter develop and implement policies and procedures whereby staff obtain an understanding of the funding terms and conditions of all grants in order to prevent future violations of compliance requirements. We recommend the Charter develop and implement policies and procedures whereby staff obtain an understanding of the funding terms and conditions of all grants in order to prevent future violations of compliance requirements. Management should obtain proper training through the appropriate regulatory and granting agencies.

Views of Responsible Officials: See Corrective Action Plan on following page.



PALISADES

CHARTER HIGH SCHOOL

February 3, 2023

Christy White, Inc.
348 Olive Street
San Diego, CA 92103

RESPONSE TO AUDIT FINDING #2022-002: EDUCATION STABILIZATION FUND DISCRETIONARY GRANTS- SPECIAL TESTS AND PROVISIONS (50000)

The charter has already submitted the capital expenditure request form to CDE and is awaiting approval. The charter will review all required compliance requirements for all new federal funding before purchases are made. The charter anticipates receiving the approval by December 31, 2023.

Respectfully,

Juan Pablo Herrera

Juan Pablo Herrera
Chief Business Official

**PALISADES CHARTER HIGH SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2022.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

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 using guidance from the California Department of Education (CDE).

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.

Current Status: Implemented.