



GRIFFIN

TECHNOLOGY ACADEMIES

AUDIT REPORT

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

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

Mare Island Technology Academy (Charter No. 0181)

MIT Academy (Charter No. 0372)

MIT Griffin Academy Middle (Charter No. 1912)

Griffin Academy High School (Charter No. 2083)

FINANCIAL SECTION

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

SUPPLEMENTARY INFORMATION

LEA Organization Structure 17
Schedule of Expenditures of Federal Awards 18
Financial Statements by Charter
 Statement of Financial Position by Charter 19
 Statement of Activities by Charter 20
Schedule of Average Daily Attendance 21
Schedule of Instructional Time 23
Reconciliation of Financial Report – Alternative Form with Audited Financial Statements 24
Notes to the Supplementary Information 25

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 *Governmental Auditing Standards* 26
Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance
Required by the Uniform Guidance 28
Report on State Compliance 31

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 34
Financial Statement Findings 35
Federal Award Findings and Questioned Costs 36
State Award Findings and Questioned Costs 37
Schedule of Prior Audit Findings 43

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Griffin Technology Academies
Vallejo, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Griffin Technology Academies (the "Organization") 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 Griffin Technology Academies 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 Griffin Technology Academies 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 Griffin Technology Academies' 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 Griffin Technology Academies' 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 Griffin Technology Academies' 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **March 10, 2023**, on our consideration of Griffin Technology Academies' 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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Griffin Technology Academies' internal control over financial reporting and compliance.

San Diego, California
March 10, 2023

GRIFFIN TECHNOLOGY ACADEMIES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets

Cash and cash equivalents	\$ 13,324,035
Accounts receivable	3,453,890
Prepaid expenses	129,112
Total current assets	<u>16,907,037</u>

Noncurrent assets

Prepaid lease	1,439,394
Capital assets, net	5,944,697
Total noncurrent assets	<u>7,384,091</u>
Total Assets	<u>\$ 24,291,128</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 2,991,094
Deferred revenue	7,151,233
Total liabilities	<u>10,142,327</u>

Net assets

Without donor restrictions	14,148,801
Total net assets	<u>14,148,801</u>
Total Liabilities and Net Assets	<u>\$ 24,291,128</u>

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

**GRIFFIN TECHNOLOGY ACADEMIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 9,021,577
Federal revenues	2,599,498
Other state revenues	2,351,288
Total federal and state support and revenues	<u>13,972,363</u>
Local support and revenues	
Payments in lieu of property taxes	2,871,189
Investment income, net	42,335
Other local revenues	141,509
Total local support and revenues	<u>3,055,033</u>
Total Support and Revenues	<u>17,027,396</u>
EXPENSES	
Program services	15,793,353
Management and general	2,996,633
Total Expenses	<u>18,789,986</u>
CHANGE IN NET ASSETS	(1,762,590)
Net Assets - Beginning	<u>15,911,391</u>
Net Assets - Ending	<u>\$ 14,148,801</u>

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

**GRIFFIN TECHNOLOGY ACADEMIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 4,788,940	\$ 532,104	\$ 5,321,044
Non-certificated salaries	1,515,715	928,986	2,444,701
Pension contributions	1,619,399	355,478	1,974,877
Payroll taxes	111,976	24,580	136,556
Other employee benefits	513,724	112,769	626,493
Total personnel expenses	<u>8,549,754</u>	<u>1,953,917</u>	<u>10,503,671</u>
Non-personnel expenses			
Books and supplies	960,950	196,821	1,157,771
Insurance	183,962	6,870	190,832
Facilities	4,241,535	158,398	4,399,933
Professional services	1,446,423	339,284	1,785,707
Depreciation	269,350	-	269,350
Authorizer oversight fees	-	114,834	114,834
Other operating expenses	141,379	226,509	367,888
Total non-personnel expenses	<u>7,243,599</u>	<u>1,042,716</u>	<u>8,286,315</u>
Total Expenses	<u>\$ 15,793,353</u>	<u>\$ 2,996,633</u>	<u>\$ 18,789,986</u>

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

**GRIFFIN TECHNOLOGY ACADEMIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,762,590)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	269,350
Amortization of prepaid lease	15,151
(Increase) decrease in operating assets	
Accounts receivable	559,140
Prepaid expenses	(129,112)
Increase (decrease) in operating liabilities	
Accounts payable	1,765,087
Deferred revenue	966,085
Net cash provided by (used in) operating activities	<u>1,683,111</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(1,882,114)</u>
Net cash provided by (used in) investing activities	<u>(1,882,114)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(199,003)
Cash and cash equivalents - Beginning	<u>13,523,038</u>
Cash and cash equivalents - Ending	<u>\$ 13,324,035</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

**GRIFFIN TECHNOLOGY ACADEMIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Griffin Technology Academies (the “Organization”), located in Solano County, was formed as a nonprofit public benefit corporation on May 18, 1999 under the name MIT Academy. In April 2018, the Organization changed its name and began operating as Griffin Technology Academies. The main purpose of the Organization is to operate public charter schools in California; known collectively as the “Charters.” During the 2021-22 fiscal year, Griffin Technology Academies operated four (4) charters schools; all of which are authorized by the Vallejo City Unified School District. Information on each of the Charters is as follows:

<u>Charter School</u>	<u>Charter No.</u>	<u>Petition Expiration</u>	<u>Grades Served</u>
Mare Island Technology Academy	0181	June 30, 2024	6 - 8
MIT Academy	0372	June 30, 2023	9 - 12
MIT Griffin Academy Middle	1912	June 30, 2023	6 - 8
Griffin Academy High School	2083	June 30, 2025	9 - 10

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 Organization’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, Griffin Technology Academies 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 part of its operation of public charter schools, Griffin Technology Academies 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 multiple charter school or other program operations is necessary and is not used for external financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

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

E. 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.

F. In Lieu of Property Tax 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 Griffin Technology Academies. Revenues are recognized by the Organization when earned.

G. 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.

H. Cash and Cash Equivalents

Griffin Technology Academies considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization 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.

K. Capital Assets

Griffin Technology Academies has adopted a policy to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

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

M. Income Taxes

Griffin Technology Academies 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 Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Organization is not required to register with the California Attorney General as a charity.

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

N. Fair Value Measurements

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

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

**GRIFFIN TECHNOLOGY ACADEMIES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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 Organization 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, consist of the following:

Cash in county treasury	\$ 9,927,486
Cash in banks, interest bearing	3,355,640
Cash in banks, non-interest bearing	39,609
Cash on hand or awaiting deposit	1,300
Total Cash and Cash Equivalents	\$ 13,324,035

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. Griffin Technology Academies 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, \$3,467,653 of the Griffin Technology Academies' bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks.

Cash in County Treasury

Policies and Practices

Griffin Technology Academies is a voluntary participant in an external investment pool. The fair value of the Organization's investment in the pool is reported in the financial statements at amounts based upon the Organization'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.

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 Organization has managed its exposure to interest rate risk by investing in the county treasury. The Organization's investments in the Solano County Treasury Investment Pool, which combines the Organization's share of the portfolio, has a combined fair value of \$9,817,740 and an amortized book value of \$9,927,486 as of June 30, 2022. The average weighted maturity for this pool was 365 days.

GRIFFIN TECHNOLOGY ACADEMIES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Organization 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:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 and 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

Fair Value Measurement

Cash in county treasury is measured at Level 1 using the fair value input levels noted in Note 1N. The funds were not previously measured. The Charter has reclassified these funds as Level 1 because the amounts invested in the county treasury pooled investment fund primarily consist of investment types having observable inputs that reflect quoted prices. The carrying value consists of the amortized book value offset by the "county treasury fair value adjustment" to arrive at the combined fair value amount noted under the interest rate risk section; however, the fair value adjustment was not recorded as it was deemed immaterial.

NOTE 3 – ACCOUNTS RECEIVABLE

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

Local control funding sources, state aid	\$ 384,076
Federal sources	2,109,960
Other state sources	299,318
Local sources	660,536
Total Accounts Receivable	<u>\$ 3,453,890</u>

NOTE 4 – PREPAID LEASE

The Organization holds a ground lease agreement with the Vallejo City Unified School District that commenced in July 2018. The Organization prepaid \$1.5 million for this lease. The \$1.5 million was recorded as a long-term prepaid lease and is amortized to lease expense on a straight-line basis over the life of the lease. As of June 30, 2022, the balance of the prepaid lease was \$1,439,394 and \$15,151 was recorded as a lease expense during the fiscal year.

GRIFFIN TECHNOLOGY ACADEMIES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS

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

	July 1, 2021	Additions	Disposals	June 30, 2022
Property and equipment				
Buildings	\$ 3,674,854	\$ -	\$ -	\$ 3,674,854
Building improvements	1,616,256	-	-	1,616,256
Furniture and equipment	658,230	31,955	-	690,185
Construction in progress	1,249,754	1,850,159	-	3,099,913
Total property and equipment	7,199,094	1,882,114	-	9,081,208
Less accumulated depreciation	(2,867,161)	(269,350)		(3,136,511)
Capital Assets, net	\$ 4,331,933	\$ 1,612,764	\$ -	\$ 5,944,697

NOTE 6 – ACCOUNTS PAYABLE

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

Vendor payables	\$ 1,191,728
Due to grantor governments	1,131,756
Accrued salaries and benefits	552,776
Authorizer oversight fees	114,834
Total Accounts Payable	\$ 2,991,094

NOTE 7 – DEFERRED REVENUE

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

Federal sources	\$ 211,521
State sources	
Proposition 51 facilities program	4,762,789
Other state programs	1,622,485
Local sources	554,438
Total Deferred Revenue	\$ 7,151,233

Proposition 51 Facilities Program

Griffin Technology Academies received several preliminary apportionments for a combination of new construction and rehabilitation projects under the Charter School Facilities Program. All projects are for the MIT Academy Middle school campus. The total preliminary amounts are made up of 50% state grant and 50% loan that will eventually be paid back by the Organization. The Organization received advance funding for design costs and has until early 2023 to convert the preliminary apportionments to final apportionments. To convert the funds, the Organization must submit complete funding applications with plans that are approved by the Division of the State Architect and the California Department of Education. The Organization can also request a one-time, one-year extension to the deadline. As of June 30, 2022, Griffin Technology Academies has not yet met the criteria for revenue recognition. As such, the entire balance of \$4,762,789 is reported as a liability under deferred revenue.

GRIFFIN TECHNOLOGY ACADEMIES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – NET ASSETS

As of June 30, 2022, the Organization did not have any net assets with 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 Organization. At June 30, 2022, the Organization’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 5,944,697
Undesignated	8,204,104
Total Net Assets without Donor Restrictions	<u>\$ 14,148,801</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’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	\$ 13,324,035
Accounts receivable	3,453,890
Prepaid expenses	129,112
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 16,907,037</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charters have made such elections. 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).

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Griffin Technology Academies 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 Organization’s contributions to CalSTRS for the fiscal year ending June 30, 2022 was \$892,841, 100% of the requirement.

**GRIFFIN TECHNOLOGY ACADEMIES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – 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 Griffin Technology Academies is estimated at \$555,240. 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

Griffin Technology Academies 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.

Griffin Technology Academies 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 Organization's contributions to CalPERS for the fiscal year ending June 30, 2022 was \$526,796, 100% of the requirement.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

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

Pending or Threatened Litigation

The Organization 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 Organization as of June 30, 2022.

GRIFFIN TECHNOLOGY ACADEMIES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

Charter School Authorization

As mentioned in Note 1A, the charter schools operated by Griffin Technology Academies are approved to operate as public charter schools through authorization by the Vallejo City Unified School District. As such, the Charters are 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. The Organization was issued a notice of violation from the authorizing agency regarding all four charter schools operated by the Organization and entered into a memorandum of understanding for conditional operation by the Organization’s Home Office or CMO.

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. Although no action is required by the charter schools or charter authorizers for this extension, AB 130 does not preclude charter authorizers from invoking revocation procedures.

The Organization makes payments to the authorizing agency, Vallejo City Unified School District, to provide required services for oversight. In accordance with California Education Code Section 47613(b), the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; otherwise, fees associated with oversight are 1% of revenue from local control funding formula sources. At June 30, 2022, the Organization held an accrued liability of \$114,834 for oversight fees and facility usage that was subsequently paid. As mentioned in Note 4, the Organization holds a long-term lease agreement with the District.

NOTE 12 – RELATED PARTY TRANSACTIONS

Friends of Mare Island Technology Academy

The Organization has a related party nonprofit organization named Friends of Mare Island Technology Academy, which the Organization rents facilities from. The overall amount of the space rent was less than \$60,000 for the fiscal year ended June 30, 2022.

Family Relationship

The Acting Superintendent and CEO, Nick Driver, is brother to Mark Driver, Director of Fiscal Services and CFO of the Organization.

Intercompany Balances

Receivables and payables due between separate operating units of the Organization (the charter schools and the home office) are classified as intercompany receivables/payables within the statement of financial position by charter. Intercompany transactions and balances are eliminated in the financial statements by charter to better reflect the true activities of Griffin Technology Academies as a whole. The Organization maintains a “Home Office” that serves as a charter management organization (CMO) providing operational services to each of the Organization’s four charter schools. The CMO fees charged to the charter schools and the related revenue generated for the Home Office is shown as an eliminating entry on the statement of activities by charter.

NOTE 13 – SUBSEQUENT EVENTS

Griffin Technology Academies has evaluated subsequent events for the period from June 30, 2022 through March 10, 2023, the date the financial statements were available as reissued.

As mentioned at Note 11, the Organization was issued a notice of violation from the authorizing agency regarding all four charter schools operated by the Organization. Additionally, a memorandum of understanding was subsequently entered into for conditional operation of the schools by the Griffin Technology Academies “Home Office” or CMO.

In January 2023, the California Department of Education approved a nonclassroom-based funding determination for Mare Island Technology Academy (Charter No. 0181) and MIT Academy (Charter No. 0372) covering a two-year period for the 2021-22 and 2022-23 school years.

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

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SUPPLEMENTARY INFORMATION

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**GRIFFIN TECHNOLOGY ACADEMIES
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

Griffin Technology Academies, located in Solano County, is a nonprofit public benefit corporation that operates four (4) public charter schools (the “Charters”). The Charters are all sponsored by the Vallejo City Unified School District, the authorizing agency. Information on each of the Charter is as follows for the 2021-22 fiscal year:

<u>Charter School</u>	<u>Charter No.</u>	<u>Petition Expiration</u>	<u>Grades Served</u>
Mare Island Technology Academy	0181	June 30, 2024	6 - 8
MIT Academy	0372	June 30, 2023	9 - 12
MIT Griffin Academy Middle	1912	June 30, 2023	6 - 8
Griffin Academy High School	2083	June 30, 2025	9 - 10

The Charters are all governed by the following Board of Directors of the Organization and managed by the following administration as of June 30, 2022:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Shawna Gilroy	Director	June 2024
Vivian Wesley	Director	December 2023
Andrea Wynn Walker	Director	November 2022
Rebecca Hartman-Baker	Director	May 2025
Luis Rosales	Director	June 2025

ADMINISTRATION

Nick Driver
Acting Superintendent & CEO

Marguerite Williams*
Chief Business Official & Secretary

Mark Driver
Director of Fiscal Services & CFO

*Ms. Williams resigned effective June 30, 2022

**GRIFFIN TECHNOLOGY ACADEMIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 266,013
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	53,306
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	56,564
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	8,714
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	17,765
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	779,601
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	1,110,213
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	11,371
Subtotal Education Stabilization Fund Discretionary Grants			<u>1,918,950</u>
<i>Passed through Sonoma County Charter SELPA:</i>			
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	*	180,759
Total U. S. Department of Education			<u>2,484,306</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:			
Child Nutrition: National School Lunch Program	10.555	13391	86,688
CACFP Claims - Centers and Family Day Care	10.558	13393	26,048
Pandemic EBT Local Administrative Grant	10.649	15644	2,456
Total U. S. Department of Agriculture			<u>115,192</u>
Total Federal Expenditures			<u>\$ 2,599,498</u>

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

See accompanying notes to the supplementary information.

**GRIFFIN TECHNOLOGY ACADEMIES
STATEMENT OF FINANCIAL POSITION BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2022**

California Charter No.	0181	0372	1912	2083			
	Mare Island Tech Academy	MIT Academy	MIT Griffin Academy Middle	Griffin Academy High School	Home Office	Intercompany Eliminations	Organization Total
ASSETS							
Current assets							
Cash and cash equivalents	\$ 1,208,814	\$ 2,063,239	\$ 597,717	\$ 901,864	\$ 8,552,401	\$ -	\$ 13,324,035
Accounts receivable	1,192,930	1,403,651	567,445	289,864	-	-	3,453,890
Prepaid expenses	37,443	48,456	21,561	21,652	-	-	129,112
Intercompany receivable	2,761,290	6,880,158	573,665	-	188,949	(10,404,062)	-
Total current assets	5,200,477	10,395,504	1,760,388	1,213,380	8,741,350	(10,404,062)	16,907,037
Noncurrent assets							
Prepaid lease	479,798	959,596	-	-	-	-	1,439,394
Capital assets, net	1,997,360	3,433,848	360,607	152,882	-	-	5,944,697
Total noncurrent assets	2,477,158	4,393,444	360,607	152,882	-	-	7,384,091
Total Assets	\$ 7,677,635	\$ 14,788,948	\$ 2,120,995	\$ 1,366,262	\$ 8,741,350	\$(10,404,062)	\$ 24,291,128
LIABILITIES AND NET ASSETS							
Liabilities							
Accounts payable	\$ 744,968	\$ 935,327	\$ 788,215	\$ 175,360	\$ 347,224	\$ -	\$ 2,991,094
Intercompany payable	-	-	-	188,949	10,215,113	(10,404,062)	-
Deferred revenue	2,541,958	3,859,776	314,900	434,599	-	-	7,151,233
Total liabilities	3,286,926	4,795,103	1,103,115	798,908	10,562,337	(10,404,062)	10,142,327
Net assets							
Without donor restrictions	4,390,709	9,993,845	1,017,880	567,354	(1,820,987)	-	14,148,801
Total net assets	4,390,709	9,993,845	1,017,880	567,354	(1,820,987)	-	14,148,801
Total Liabilities and Net Assets	\$ 7,677,635	\$ 14,788,948	\$ 2,120,995	\$ 1,366,262	\$ 8,741,350	\$(10,404,062)	\$ 24,291,128

See accompanying notes to the supplementary information.

**GRIFFIN TECHNOLOGY ACADEMIES
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2022**

California Charter No.	0181	0372	1912	2083			
	Mare Island Tech Academy	MIT Academy	MIT Griffin Academy Middle	Griffin Academy High School	Home Office	Intercompany Eliminations	Organization Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
SUPPORT AND REVENUES							
Federal and state support and revenues							
Local control funding formula, state aid	\$ 2,430,009	\$ 3,944,303	\$ 1,178,753	\$ 1,468,512	\$ -	\$ -	\$ 9,021,577
Federal revenues	926,160	1,015,196	393,398	264,744	-	-	2,599,498
Other state revenues	785,287	1,001,546	273,521	198,854	92,080	-	2,351,288
Total federal and state support and revenues	4,141,456	5,961,045	1,845,672	1,932,110	92,080	-	13,972,363
Local support and revenues							
Payments in lieu of property taxes	890,845	1,203,579	355,607	421,158	-	-	2,871,189
Investment income, net	6,816	9,150	5,373	5,181	15,815	-	42,335
Other local revenues	177,213	299,833	(114,443)	(221,094)	1,865,536	(1,865,536)	141,509
Total local support and revenues	1,074,874	1,512,562	246,537	205,245	1,881,351	(1,865,536)	3,055,033
Total Support and Revenues	5,216,330	7,473,607	2,092,209	2,137,355	1,973,431	(1,865,536)	17,027,396
EXPENSES							
Program services	4,651,564	6,743,656	1,942,017	1,662,557	2,378,880	(1,585,321)	15,793,353
Management and general	878,963	1,274,270	361,840	314,136	447,639	(280,215)	2,996,633
Total Expenses	5,530,527	8,017,926	2,303,857	1,976,693	2,826,519	(1,865,536)	18,789,986
CHANGE IN NET ASSETS	(314,197)	(544,319)	(211,648)	160,662	(853,088)	-	(1,762,590)
Net Assets - Beginning	4,704,906	10,538,164	1,229,528	406,692	(967,899)	-	15,911,391
Net Assets - Ending	\$ 4,390,709	\$ 9,993,845	\$ 1,017,880	\$ 567,354	\$ (1,820,987)	\$ -	\$ 14,148,801

See accompanying notes to the supplementary information.

**GRIFFIN TECHNOLOGY ACADEMIES
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

Charter School / Grade Span	Second Period Report	Second Period Report After Audit Finding Adjustments*	Annual Report	Annual Report After Audit Finding Adjustments*
Mare Island Technology Academy (Charter No. 0181)				
			Classroom-Based	
Fourth through sixth	70.47	60.00	67.45	59.46
Seventh through eighth	246.75	209.75	239.10	210.88
Total Average Daily Attendance - Classroom-Based	317.22	269.75	306.55	270.34
			Nonclassroom-Based	
Fourth through sixth	4.05	13.62	4.28	11.58
Seventh through eighth	12.64	45.55	12.60	37.00
Total Average Daily Attendance - Nonclassroom-Based	16.69	59.17	16.88	48.58
Total Average Daily Attendance	333.91	328.92	323.43	318.92
MIT Academy (Charter No. 0372)				
			Classroom-Based	
Nine through twelfth	424.25	356.78	411.38	360.21
Total Average Daily Attendance - Classroom-Based	424.25	356.78	411.38	360.21
			Nonclassroom-Based	
Nine through twelfth	26.88	88.61	27.69	73.36
Total Average Daily Attendance - Nonclassroom-Based	26.88	88.61	27.69	73.36
Total Average Daily Attendance	451.13	445.39	439.07	433.57

*Refer to Findings 2022-002 and 2022-004.

See accompanying notes to the supplementary information.

**GRIFFIN TECHNOLOGY ACADEMIES
SCHEDULE OF AVERAGE DAILY ATTENDANCE, continued
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Charter School / Grade Span</u>	Second Period	
	Report	Annual Report
MIT Griffin Academy Middle (Charter No. 1912)		
	Classroom-Based	
Fourth through sixth	12.09	12.08
Seventh through eighth	112.64	113.01
Total Average Daily Attendance - Classroom-Based	124.73	125.09
	Nonclassroom-Based	
Fourth through sixth	-	-
Seventh through eighth	8.56	8.11
Total Average Daily Attendance - Nonclassroom-Based	8.56	8.11
Total Average Daily Attendance	133.29	133.20
Griffin Academy High School (Charter No. 2083)		
	Classroom-Based	
Nine through twelfth	144.51	141.38
Total Average Daily Attendance - Classroom-Based	144.51	141.38
	Nonclassroom-Based	
Nine through twelfth	13.35	12.52
Total Average Daily Attendance - Nonclassroom-Based	13.35	12.52
Total Average Daily Attendance	157.86	153.90

See accompanying notes to the supplementary information.

**GRIFFIN TECHNOLOGY ACADEMIES
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Charter School / Grades Served	Minutes Requirement	2021-22 Instructional Minutes	2021-22 Number of Days	Status
Mare Island Technology Academy (Charter No. 0181) Grades 6 through 8	54,000	56,466	177	Complied
MIT Academy (Charter No. 0372) Grades 9 through 12	64,800	56,619	178	Not in Compliance*
MIT Griffin Academy Middle (Charter No. 1912) Grades 6 through 8	54,000	68,975	179	Complied
Griffin Academy High School (Charter No. 2083) Grades 9 and 10	64,800	68,975	179	Complied

*Refer to Finding 2022-003.

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See accompanying notes to the supplementary information.

GRIFFIN TECHNOLOGY ACADEMIES
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022

California Charter No.	0181	0372	1912	2083
	Mare Island Tech Academy	MIT Academy	MIT Griffin Academy Middle	Griffin Academy High School
June 30, 2022, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	\$ 3,102,648	\$ 8,225,736	\$ 1,202,129	\$ 684,195
Adjustments:				
Increase (decrease) in total net assets:				
Record adjustments to LCFF sources	(184,184)	(268,948)	(634,134)	(44,490)
Record unspent state ELO-P funds as deferred revenue per FASB	(23,082)	-	(22,500)	-
Record LCFF hold harmless provision for AB 180	51,212	111,100	221,764	-
Record adjustments to depreciation expense	(15,254)	589	(29,384)	(1,897)
Record amortization of prepaid lease	(5,050)	(10,101)	-	-
Record vacation accrual liability	(4,532)	(29,361)	(5,885)	(5,289)
Client net adjustments after closing and reporting UA-Alt Form	1,468,951	1,964,830	285,890	(65,165)
Net adjustments	1,288,061	1,768,109	(184,249)	(116,841)
June 30, 2022, net assets per audited financial statements	\$ 4,390,709	\$ 9,993,845	\$ 1,017,880	\$ 567,354

See accompanying notes to the supplementary information.

**GRIFFIN TECHNOLOGY ACADEMIES
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 Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter and is presented on the 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 Organization has not elected to use the 10 percent de minimis indirect cost rate.

C. Financial Statements by Charter

The financial statements by charter, which include the statements of financial position and activities by charter, provide information supporting the amounts incorporated in Griffin Technology Academies' financial statements.

D. 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.

E. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered per grade level by the Griffin Technology Academies' charter schools and whether each charter school complied with the provisions of *Education Code Section 47612.5*.

F. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

To the Board of Directors of
Griffin Technology Academies
Vallejo, 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 Griffin Technology Academies (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 **March 10, 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. 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 material weaknesses.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2022-003.

Griffin Technology Academies' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Griffin Technology Academies' 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.

San Diego, California

March 10, 2023

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**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
Griffin Technology Academies
Vallejo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Griffin Technology Academies' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Griffin Technology Academies' major federal programs for the year ended June 30, 2022. Griffin Technology Academies' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Griffin Technology Academies complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 Griffin Technology Academies 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 Griffin Technology Academies' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Griffin Technology Academies' 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 Griffin Technology Academies' 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 Griffin Technology Academies' 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 Griffin Technology Academies' compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Griffin Technology Academies' 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 Griffin Technology Academies' 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.

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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (continued)

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

San Diego, California

March 10, 2023

DRAFT

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Directors of
Griffin Technology Academies
Vallejo, California

Report on State Compliance

Opinion on State Compliance

We have audited Griffin Technology Academies' 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 Griffin Technology Academies' state programs for the fiscal year ended June 30, 2022, as identified below. Reference to Griffin Technology Academies within this letter is inclusive of Mare Island Tech Academy (Charter No. 0181), MIT Academy (Charter No. 0372), MIT Griffin Academy Middle (Charter No. 1912), and Griffin Academy High School (Charter No. 2083).

In our opinion, Griffin Technology Academies 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 Griffin Technology Academies 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 Griffin Technology Academies' 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 Griffin Technology Academies' 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 Griffin Technology Academies' 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 Griffin Technology Academies' 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 Griffin Technology Academies' compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Griffin Technology Academies' 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 Griffin Technology Academies' internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Griffin Technology Academies' 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	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
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 on the previous page to indicate that the charter schools 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the K-12 Audit Guide and which are described in the accompanying schedule of findings and questioned costs as Findings 2022-002, 2022-003, and 2022-04. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Griffin Technology Academies' response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs as the corrective action plan. Griffin Technology Academies' response was not subjected to the 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 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-003 to be a material weakness.

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 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 Griffin Technology Academies' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs as the corrective action plan. Griffin Technology Academies' response was not subjected to the 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

San Diego, California
March 10, 2023

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

DRAFT

**GRIFFIN TECHNOLOGY ACADEMIES
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	
<u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u>	
84.425 Education Stabilization Fund Discretionary Grants	

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over state programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies</i> ?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
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

**GRIFFIN TECHNOLOGY ACADEMIES
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-001: FINANCIAL STATEMENT REPORTING AND CLOSING PROCESS (30000) – MATERIAL WEAKNESS

Criteria: Management is responsible for designing and implementing a system of internal controls over financial reporting that provides reasonable assurance that financial statement misstatements are prevented or deterred and corrected through normal operating procedures. Financial controls for best business practices should include timely preparation and review of cash reconciliations, supplementary schedules and reconciliations for other significant account balances, proper year-end closing procedures, as well as proper monitoring and oversight. Nonprofit organizations are required to report financial statements in accordance with generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB).

Condition: The trial balance, general ledgers, and supplemental audit schedules were not provided for audit in a timely matter in order to meet the extended audit deadline of February 15, 2023. As a result, the audit process was delayed the audit process and reissued report was necessary to present audited financial statements.

The Organization did not perform timely reconciliations on various major accounts (i.e. the main checking account, accounts receivable, prepaid lease/expenses, property and equipment, accounts payable, deferred/unearned revenue, intercompany receivables and payables) and reconcile these accounts to the general ledger.

Cause: Due to the mold growth and necessary mold remediation noted at Findings 2022-002 and 2022-003, management efforts were unable to dedicate adequate time to close the financial records in a timely manner. Management was focused on day-to-day operations and did not dedicate adequate time during the closing process in a timely manner. Management required additional time to present the financial statements in accordance with GAAP.

Effect: The financial statements could not be audited prior to the extended statutory reporting deadline of February 15, 2023. Adjustments were necessary to present financial statements in accordance with GAAP.

Repeat Finding: Yes, this is a repeat finding. Refer to Finding 2021-001 in the Schedule of Prior Audit Findings.

Recommendation: Written fiscal policies and procedures should be established and implemented. Procedures should include, but not be limited to the following: cash reconciliation, fixed asset tracking, prepaid lease amortization, tracking and reconciliation of intercompany transactions and balances, timely closing process.

Corrective Action Plan: Management does not expect a repeat of the unique circumstances leading to any of the findings in this 2021-2022 audit. During fiscal year 2022-2023 there have been no emergency school closures at any campus, and therefore no need to petition for a J-13 waiver or retroactive funding determination, nor to investigate and calculate the financial impact of prior management failures related to Independent Study program compliance. The trial balance, general ledger, and supporting schedules were timely submitted and testable for audit purposes in December 2022; however, information received during the extension period up until February 15th, 2023 warranted additional investigation to ensure financial statement accuracy for the period audited. Management will continue to train upon and improve procedures related to internal controls, account reconciliations, and the financial closing process in order to ensure compliance with reporting deadlines.

**GRIFFIN TECHNOLOGY ACADEMIES
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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**GRIFFIN TECHNOLOGY ACADEMIES
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-002: MODE OF INSTRUCTION AND ATTENDANCE REPORTING (10000 & 30000)

Criteria: In accordance with Title 5, California Code of Regulations (CCR) section 11963(b), at least 80 percent of the instructional time offered by the charter school should be at the schoolsite and the charter school is to require pupils to be in attendance at the school site at least 80 percent of the minimum instructional time required pursuant to California Education Code section 47612.5(a)(1).

In accordance with Section BB of the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, auditors must report any average daily attendance (ADA) reported as classroom-based instruction but not generated in compliance with the mode of instruction requirements as an audit finding and note the ADA as either misreported or disallowed. If misreported but still allowable as nonclassroom-based instruction, the ADA is to be generated in full compliance with nonclassroom-based instruction/independent study requirements. If disallowed, the ADA does not meet the compliance requirements of either classroom-based or nonclassroom-based instruction.

Condition: Per inquiry, it was noted that the Mare Island Technology Academy (Charter No. 0181) and MIT Academy (Charter No. 0372) were unable to operate in-person instruction at the school site given a staff and pupil safety concern resulting from discovery of mold growth. The discovery prompted closure of the school site for necessary mold remediation; however, instruction by certificated staff to impacted pupils continued to be provided in a virtual setting through synchronous instruction. The period of schoolsite closure was for the period of November 10, 2021 to February 28, 2022.

The period of schoolsite closure caused the charter schools to be unable to have pupils at the schoolsite for the required 80 percent of the schools' annual instructional time offering. Audit procedures were performed to calculate the instructional time impact in excess of the allowable portion of annual instructional time for classroom-based instruction. Additionally, audit procedures were performed to identify the ADA impact for any disallowed ADA and ADA misreported as classroom-based instruction but meeting the requirements for nonclassroom-based instruction.

Effect: Charter No. 0181 and No. 0372 are not in compliance with mode of instruction requirements. The portion of annual instructional time offered offsite in excess of the allowable portion of time is noted at Finding 2022-003 and the resulting ADA not meeting the mode of instruction requirements is noted in the ADA impact section.

Cause: The charter school sites experienced an unforeseen safety issue that required closure of the school campus for Charter No. 0181 and No. 0372. The Organization was unable to file a J-13A waiver for ADA relief.

ADA Impact: The ADA impact for each charter school and grade span is noted below:

	Charter No. 0181		Charter No. 0372
P-2 Attendance Period	6	7-8	9-12
Reported Classroom-based ADA	70.47	246.75	424.25
Misreported ADA - Nonclassroom-Based	(9.57)	(35.80)	(66.52)
Disallowed ADA	(0.90)	(1.20)	(0.95)
Adjusted Classroom-based ADA	60.00	209.75	356.78
Annual Attendance Period	6	7-8	9-12
Reported Classroom-based ADA	67.45	239.10	411.38
Misreported ADA - Nonclassroom-Based	(7.30)	(27.30)	(50.45)
Disallowed ADA	(0.69)	(0.92)	(0.72)
Adjusted Classroom-based ADA	59.46	210.88	360.21

**GRIFFIN TECHNOLOGY ACADEMIES
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-002: MODE OF INSTRUCTION AND ATTENDANCE REPORTING (10000 & 30000) (continued)

Questioned Cost: A total penalty of \$30,980 from disallowed ADA as calculated below:

P-2 Attendance Period	Charter No. 0181		Charter No. 0372	
	6	7-8	9-12	
Disallowed ADA	(0.90)	(1.20)	(0.95)	
Derived Value of ADA	9,550.18	9,832.68	11,143.36	
Penalty Calculation	\$ (8,595)	\$ (11,799)	\$ (10,586)	
Questioned Cost by Charter and Total		\$ (20,394)	\$ (10,586)	\$ (30,980)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the attendance reports be revised to accurately report classroom-based instruction as nonclassroom-based instruction for the ADA not meeting the mode of instruction requirements for classroom-based instruction but meeting the requirements for nonclassroom-based instruction. Additionally, the disallowed ADA reported as not meeting the requirements of classroom-based or nonclassroom-based instruction should be omitted.

Corrective Action Plan: Management does not expect a recurrence of this finding due to the exceptional nature of the campus closure during the 2021-2022 school year. Management will investigate its option to pursue an appeal of this finding with the Education Audit Appeals Panel in order to reduce or eliminate the penalty. Depending on its course of action, Management may or may not reclassify its ADA from Classroom-based instruction to Nonclassroom-based instruction.

**GRIFFIN TECHNOLOGY ACADEMIES
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-003: INSTRUCTIONAL MINUTES – CLASSROOM-BASED INSTRUCTION (40000) – MATERIAL WEAKNESS

Criteria: In accordance with California Education Code Section 47612.5, a charter school shall offer, at a minimum, the following instructional minutes per fiscal year: 54,000 minutes to pupils in grades 6 to 8 and 64,800 minutes to pupils in grades 9 to 12.

Condition: Per inquiry, it was noted that the Mare Island Technology Academy (Charter No. 0181) and MIT Academy (Charter No. 0372) were unable to operate in-person instruction at the school site given a staff and pupil safety concern resulting from discovery of mold growth. The discovery prompted closure of the school site for necessary mold remediation; however, instruction by certificated staff to impacted pupils continued to be provided in a virtual setting through synchronous instruction. The period of schoolsite closure was for the period of November 10, 2021 to February 28, 2022.

The period of schoolsite closure caused the charter schools to be unable to have pupils at the schoolsite for the required 80 percent of the schools’ annual instructional time offering. We obtained the academic calendar and bell schedules for the 2021-22 school year and recalculated the annual instructional time provided to all grade levels. Audit procedures were performed to calculate the instructional time impact in excess of the allowable portion of annual instructional time for classroom-based instruction.

Effect: The Organization is not in compliance with the required annual instructional minute offerings for Charter No. No. 0372. There was a portion of disallowed instructional time offering for Charter No. 0181; however, this did not result in a shortage of annual instructional time. The instructional time deemed to not meet classroom-based instructional requirements for mode of instruction and the resulting shortage of annual instructional time is noted below:

		Charter No. 0181	Charter No. 0372
		6-8	9-12
a	Total annual instructional time offered	63,905	64,345
b	80% of instructional time required at schoolsite (80% x a)	51,124	51,476
c	Annual instructional time allowed offsite (a - b)	12,781	12,869
d	Actual instructional time offered offsite	20,220	20,595
e	Instructional time disallowed (d - c)	7,439	7,726
f	Total allowable instructional time offered (a - e)	56,466	56,619
g	Number of required instructional minutes	54,000	64,800
h	Number of minutes short (f - g)	-	(8,181)

Additional information regarding the above calculation: **a)** calculated based on the academic calendars and bell schedules for actual instructional time offered by the charter schools during the 2021-22 school year for both onsite and offsite instruction; **b)** 80 percent obtained from mode of instruction requirements from Title 5, CCR section 11963(b); **c)** calculated as item a less b; **d)** calculated based on the actual instructional time offered offsite during the period from November 10, 2021 to February 28, 2022; **e)** calculated as d less c; **f)** calculated as a less e; **g)** required instructional minutes per Ed Code 47612.5; **h)** calculated as f less g and used in penalty calculation for Questioned Cost section.

Cause: The charter school sites experienced an unforeseen safety issue that required closure of the school campus.

**GRIFFIN TECHNOLOGY ACADEMIES
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-003: INSTRUCTIONAL MINUTES – CLASSROOM-BASED INSTRUCTION (10000) (Material Weakness) (continued)

Questioned Cost: The fiscal penalty is \$502,134 for Charter No. 0372 as calculated below using the penalty calculator provided by the California Department of Education (CDE):

	Charter No. 0372
Affected grade level(s)	9-12
Affected grade level ADA	424.25
Adjusted ADA for LCFF Apportionment	356.78
Derived Value of ADA by Grade Span	\$ 11,143.36
Number of required minutes	64,800
Number of minutes short	(8,181)
Percentage of Minutes Not Offered	-12.63%
Affected LCFF Apportionment by Grade Span	\$ 3,975,728
Instructional Time Penalty by Grade Span	\$ (502,134)
Total Instructional Time Penalty	\$ (502,134)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Organization monitor instructional time offerings and either request a J-13A waiver or implement alternative instructional programs (i.e. independent study) for any emergency closures.

Corrective Action Plan: Management does not expect a recurrence of this finding due to the exceptional nature of the campus closure during the 2021-2022 school year. Management will investigate its option to pursue an appeal of this finding with the Education Audit Appeals Panel in order to reduce or eliminate the penalty. Management believes it acted in good faith to comply with Education Code provisions to offer the requisite number of instructional minutes remotely to its students affected by the emergency closure. After exhaustive review, Management’s final conclusion is that the J-13 waiver or audit appeal process are the only viable mechanisms to avoid penalties assessed under this finding since statute compels Independent Study agreements executed pursuant to a Funding Determination to be signed within 30 calendar days of the start of the school year – in this case, August 14, 2021 – and the emergency closure occurred on November 10th, 2021, a full 88 days later and well outside the 30 day window.

**GRIFFIN TECHNOLOGY ACADEMIES
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-004: NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY (30000)

Criteria: Per Education Code Section 51747(g), for attendance generated through independent study, a current written agreement for each independent study pupil should be maintained on file and include all required components.

Condition: Through our testing of nonclassroom-based/independent study instruction for the Mare Island Technology Academy (Charter No. 0181) and MIT Academy (Charter No. 0372), we noted master agreements were not available for all sampled students reported as receiving nonclassroom-based instruction. The sample of students included students that were noted as misreported as classroom-based ADA; however, the disallowed ADA is only that in which ADA was originally reported as nonclassroom-based instruction. For Charter No. 0181 we noted a total of three students in Grade 7 that did not have a master agreement on file to review for audit. For Charter No. 0372, we noted a total of five students in Grades 9 to 12 that did not have a master agreement provided for audit.

Effect: Charter No. 0181 and No. 0372 are not in compliance. There is a loss of apportionment funding for nonclassroom-based attendance related to not having a current written agreement on file.

Cause: Master agreements for all students in nonclassroom-based instruction were not retained for audit.

ADA Impact: The ADA impact for each charter school, grade span, and reporting period is noted below:

	Charter No. 0181		Charter No. 0372
	6	7-8	9-12
P-2 Attendance Period			
Reported Nonclassroom-based ADA	4.05	12.64	26.88
ADA misreported as Classroom-based ADA	9.57	35.80	66.52
Disallowed ADA*	-	(2.89)	(4.79)
Adjusted Nonclassroom-based ADA	13.62	45.55	88.61
Annual Attendance Period	6	7-8	9-12
Reported Nonclassroom-based ADA	4.28	12.60	27.69
ADA misreported as Classroom-based ADA	7.30	27.30	50.45
Disallowed ADA*	-	(2.90)	(4.78)
Adjusted Nonclassroom-based ADA	11.58	37.00	73.36

*Any disallowed ADA not meeting either the classroom-based instruction or nonclassroom-based instruction requirements was not considered a disallowance of nonclassroom-based instruction ADA but rather only a disallowance of classroom-based instruction at Finding 2022-002.

Questioned Cost: A total penalty of \$81,793 from disallowed ADA as calculated below:

	Charter No. 0181	Charter No. 0372
P-2 Attendance Period	7-8	9-12
Disallowed ADA	(2.89)	(4.79)
Derived Value of ADA	9,832.68	11,143.36
Penalty Calculation	\$ (28,416)	\$ (53,377)
Questioned Cost Total		\$ (81,793)

**GRIFFIN TECHNOLOGY ACADEMIES
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2022-004: NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY (10000) (continued)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Organization implement adequate procedures for attendance generated from independent study to ensure the review and maintenance of independent study documentation. Attendance reports should be amended to report any disallowance of ADA as a result of not adhering to independent study compliance requirements.

Corrective Action Plan: Management agrees that some Independent Study agreements signed either prior to or independent of the campus closure were collected improperly by the prior administration in 2021-2022. During school year 2022-2023, management has taken steps to improve the signature collection and verification process, as well as accurately report only ADA for compliant Nonclassroom-based instruction.

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**GRIFFIN TECHNOLOGY ACADEMIES
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2021-001: FINANCIAL STATEMENT REPORTING AND CLOSING PROCESS (30000) – MATERIAL WEAKNESS

Criteria: Management is responsible for designing and implementing a system of internal controls over financial reporting that provides reasonable assurance that financial statement misstatements are prevented or deterred and corrected through normal operating procedures. Financial controls for best business practices should include timely preparation and review of cash reconciliations, supplementary schedules and reconciliations for other significant account balances, proper year-end closing procedures, as well as proper monitoring and oversight.

Condition: Preliminary trial balances were provided for audit in December 2021; however, the Organization engaged an accounting consultant to review the financial statements in mid-December 2021, which resulted in further adjustments and a delay in receiving the trial balance for audit purposes. The trial balance and general ledgers were not provided for audit until January 8, 2022, which further delayed the audit process.

The Organization did not perform timely reconciliations on various major accounts (i.e. the main checking account, accounts receivable, prepaid lease/expenses, property and equipment, accounts payable, deferred/unearned revenue, intercompany receivables and payables) and reconcile these accounts to the general ledger. The lack of timely and accurate reconciliations resulted in revisions and adjustments to the trial balance by both the consultant, who was engaged well after the close of the fiscal year, and the independent auditors.

Additionally, it was noted that the financial system could not generate a reliable report of outstanding liabilities. An accounts payable aging report was produced that could not agree to the general ledger. Several invoices previously paid were still appearing outstanding yet these amounts had been paid. There was no clear process or reconciliation to ensure payables and other accrued expenses were properly recorded in the financial system.

Our firm was re-engaged to perform additional procedures and reissue the audit report previously dated January 31, 2022 with a qualified opinion. The report submission was necessary at that time to ensure compliance with the LEA reporting deadline. A reissued audit report dated March 10, 2022 with adjustments to accounts payable/expenses allowed for an unmodified opinion.

Cause: Turnover of key personnel and lack of training within management as well as absence of written accounting policies and procedures.

Effect: The accounts payable balance and related accrued expenses could not be initially relied upon. Additionally, several audit adjustments were necessary to ensure balance sheet accounts and revenues were not materially misstated.

Corrective Action Plan: The Accounts Payable was corrected as follows: Management reviewed the 2020-21 accounts payable general ledger activity and reversed any erroneous journal entries made to accounts payable. Management then reviewed 2021-22 subsequent disbursements and checked vendor invoices for any 2020-21 related expenses to make sure they had been recorded as 2020-21 expenses. These steps will be repeated for the 2021-22 fiscal year end.

Current Status: Partially implemented. Refer to Finding 2022-001.

**GRIFFIN TECHNOLOGY ACADEMIES
SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING 2021-002: APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (30000) – MATERIAL WEAKNESS

Criteria: Nonprofit organizations are required to report financial statements in accordance with generally accepted accounting principles (GAAP) established by the Financial Accounting Standards Board (FASB). GAAP under FASB should follow the full accrual basis of accounting.

Condition: Per review of financial information, it was noted that the Organization did not operate on the full-accrual basis of accounting with regards to proper reporting of its capital assets. Additions to fixed assets were reported as expenditures under capital outlay expenses. Additionally, depreciation expense was not recorded on the Organization's depreciable assets. Audit adjustments were necessary to convert capital outlay expenditures to the proper capital asset or expense account as well as to record current year depreciation expense.

Per inquiry and observation, an accounts payable aging report agreeing to the general ledger could not be generated because the Organization was set-up on the "cash-basis."

Cause: The Organization was operated on the modified basis of accounting with regards to capital assets that is allowed for governmental agencies and followed by other local education agencies or charter schools operated by school districts or a county office of education. Accounting practices were not updated from prior practices for reporting of capital assets. Additionally, system limitations from improper set-up, did not allow for proper full-accrual reporting.

Effect: Capital assets were understated by a net amount of \$388,395, which includes \$611,799 in capital asset additions less \$223,404 in depreciation expense.

Corrective Action Plan: The Capital Assets and Depreciation will be accounted for in accordance with Generally Accepted Accounting Procedures (GAAP) by reviewing the general ledger activity on a monthly basis and making sure any assets purchased are recoded as a fixed asset on the balance sheet, rather than as an expense. Management will ensure the fixed assets are recorded using the threshold amount as stated in the Organization's capitalization policy. Management will update the depreciation schedule on a monthly basis and recorded depreciation on a monthly basis as well.

Current Status: Implemented.