



**ELEVATE**  
SCHOOL

**ELEVATE SCHOOL**

**AUDIT REPORT**

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

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

Elevate Elementary (Charter No. 1633)

**FINANCIAL SECTION**

Independent Auditors' Report ..... 1

Financial Statements

    Statement of Financial Position ..... 3

    Statement of Activities ..... 4

    Statement of Functional Expenses ..... 5

    Statement of Cash Flows ..... 6

Notes to Financial Statements ..... 7

**SUPPLEMENTARY INFORMATION**

Charter Organizational Structure ..... 17

Schedule of Average Daily Attendance ..... 18

Schedule of Instructional Time ..... 19

Reconciliation of Financial Report – Alternative Form with Audited Financial Statements ..... 20

Notes to the Supplementary Information ..... 21

**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 22

Report on State Compliance ..... 24

**FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results ..... 26

Financial Statement Findings ..... 27

State Award Findings and Questioned Costs ..... 28

Summary Schedule of Prior Audit Findings and Questioned Costs ..... 29

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Elevate School  
San Diego, California

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of Elevate School taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

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

San Diego, California  
November 30, 2020

**ELEVATE SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

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**ASSETS**

Current assets	
Cash and cash equivalents	\$ 1,826,165
Accounts receivable	368,931
Prepaid expenses	195,333
Total current assets	<u>2,390,429</u>
Noncurrent assets	
Deposits	22,000
Capital assets, net	76,672
Total noncurrent assets	<u>98,672</u>
<b>Total Assets</b>	<u><b>\$ 2,489,101</b></u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable	\$ 81,281
Compensated absences	21,284
Deferred rent	21,128
Total liabilities	<u>123,693</u>
Net assets	
Without donor restrictions	<u>2,365,408</u>
Total net assets	<u>2,365,408</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 2,489,101</b></u>

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

**ELEVATE SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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	<u>Without Donor Restrictions</u>
<b>SUPPORT AND REVENUES</b>	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 701,208
Federal revenues	467,497
Other state revenues	491,490
Total federal and state support and revenues	<u>1,660,195</u>
Local support and revenues	
Payments in lieu of property taxes	2,083,671
Investment income, net	35,408
Other local revenues	157,648
Total local support and revenues	<u>2,276,727</u>
<b>Total Support and Revenues</b>	<u>3,936,922</u>
<b>EXPENSES</b>	
Program services	3,064,615
Supporting services	
Management and general	582,660
Fundraising	27,301
<b>Total Expenses</b>	<u>3,674,576</u>
<b>CHANGE IN NET ASSETS</b>	262,346
<b>Net Assets - Beginning</b>	<u>2,103,062</u>
<b>Net Assets - Ending</b>	<u>\$ 2,365,408</u>

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

**ELEVATE SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

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	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>EXPENSES</b>				
Personnel expenses				
Certificated salaries	\$ 1,414,423	\$ -	\$ -	\$ 1,414,423
Non-certificated salaries	221,704	245,878	-	467,582
Deferred compensation	415,504	2,286	-	417,790
Payroll taxes	53,790	19,938	-	73,728
Other employee benefits	217,010	29,983	-	246,993
Total personnel expenses	2,322,431	298,085	-	2,620,516
Non-personnel expenses				
Books and supplies	225,592	20,529	-	246,121
Insurance	-	27,590	-	27,590
Facilities	280,574	56,792	-	337,366
Professional services	162,522	165,080	27,301	354,903
Depreciation	15,073	-	-	15,073
Payments to authorizing agency	48,140	-	-	48,140
Other operating expenses	10,283	14,584	-	24,867
Total non-personnel expenses	742,184	284,575	27,301	1,054,060
<b>Total Expenses</b>	<b>\$ 3,064,615</b>	<b>\$ 582,660</b>	<b>\$ 27,301</b>	<b>\$ 3,674,576</b>

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



**ELEVATE SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 262,346
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	15,073
(Increase) decrease in operating assets	
Accounts receivable	(14,533)
Prepaid expenses	(151,404)
Deposits	(4,162)
Increase (decrease) in operating liabilities	
Accounts payable	(39,031)
Compensated absences	997
Deferred rent	21,128
<b>Net cash provided by (used in) operating activities</b>	<u>90,414</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of capital assets	<u>(56,443)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(56,443)</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 33,971

**Cash and cash equivalents - Beginning** 1,792,194

**Cash and cash equivalents - Ending** \$ 1,826,165

**SUPPLEMENTAL DISCLOSURE**

Cash paid for interest	<u>\$ -</u>
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**ELEVATE SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Elevate School (the “Charter”) was formed as a nonprofit public benefit corporation on April 8, 2013 for the purpose of operating as a California public school located in San Diego County. The Charter was approved by the State Board of Education in March 2014 as California Charter No. 1633. The mission of Elevate Elementary is to equip tomorrow’s global innovators by inspiring students to be excellent in academics, exceptional in leadership, and extraordinary in creativity. During the year ended June 30, 2020, Elevate School served grades K to 5.

Elevate School is authorized to operate as a charter school through San Diego Unified School District (the “authorizing agency”). In January 2019, the Board of Directors of San Diego Unified School District approved a charter renewal for Elevate Elementary for a five-year term beginning July 1, 2019 and ending June 30, 2024. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

**B. Basis of Accounting**

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

**C. Financial Statement Presentation**

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

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

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

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

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Estimates**

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

**E. Functional Expenses**

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

**F. Contributions**

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

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

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

**G. In Lieu of Property Taxes Revenue**

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

**H. Cash and Cash Equivalents**

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

**I. Investments**

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Receivables and Allowances**

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

**K. Capital Assets**

Elevate School 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**

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

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

**N. Fair Value Measurements**

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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.

**ELEVATE SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2020**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Fair Value Measurements (continued)**

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.

**O. New Accounting Pronouncements**

**Revenue Recognition**

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

**Leases**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2020, consist of the following:

Cash in county treasury	\$ 1,743,145
Cash in banks, interest bearing	83,020
<b>Total Cash and Cash Equivalents</b>	<u>\$ 1,826,165</u>

**Cash in Banks**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Elevate School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2020, Elevate School's bank balance was not exposed to custodial credit risk.

**ELEVATE SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2020**

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

**Cash in County Treasury**

**Policies and Practices**

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

**General Authorizations**

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

<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 Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the County Treasury. The Charter’s investments in the San Diego County Investment Pool, which combines the Charter’s share of the portfolio, has a combined fair value of \$1,767,438 and an amortized book value of \$1,743,145 as of June 30, 2020. The average weighted maturity for this pool is 556 days.

**Fair Value Measurement**

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

**ELEVATE SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2020**

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

In lieu property taxes	\$ 189,781
LCFF, state aid	21,069
Federal sources	88,528
Other state sources	49,967
Other local sources	19,586
<b>Total Accounts Receivable</b>	<u>\$ 368,931</u>

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2020</b>
Property and equipment				
Leasehold improvements	\$ 44,274	\$ 23,398	\$ -	67,672
Computers and equipment	65,580	21,022	-	86,602
Furniture	5,225	-	-	5,225
Work in progress	-	12,023	-	12,023
Total property and equipment	<u>115,079</u>	<u>56,443</u>	<u>-</u>	<u>171,522</u>
Less accumulated depreciation	<u>(79,777)</u>	<u>(15,073)</u>	<u>-</u>	<u>(94,850)</u>
<b>Capital Assets, net</b>	<u>\$ 35,302</u>	<u>\$ 41,370</u>	<u>\$ -</u>	<u>\$ 76,672</u>

**NOTE 5 – ACCOUNTS PAYABLE**

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

Accrued employee benefits	\$ 36,772
Due to authorizing agency	18,990
Due to grantor governments	737
Sales and use tax payable	1,721
Vendor payables	23,061
<b>Total Accounts Payable</b>	<u>\$ 81,281</u>

**NOTE 6 – DEFERRED RENT**

Elevate School held a deferred rent liability of \$21,128 as of June 30, 2020. The deferred rent liability is associated with the lease agreement disclosed in Note 10 and is recorded due to changing rent amounts over the term of the lease. Future minimum lease payments and the related change in deferred rent liability are as follows:

<u>Fiscal Year Ending June 30,</u>	<b>Actual</b>	<b>Lease</b>	<b>Difference</b>
	<b>Payments</b>	<b>Expense</b>	
2021	\$ 264,000	\$ 274,987	\$ (10,987)
2022	274,560	274,987	(427)
2023	285,576	274,987	10,589
2024	296,940	274,987	21,953
<b>Total</b>	<u>\$ 1,121,076</u>	<u>\$ 1,099,948</u>	<u>\$ 21,128</u>

**ELEVATE SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2020**

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**NOTE 7 – NET ASSETS**

The Charter did not hold any net assets with donor restrictions at June 30, 2020. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2020, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 76,672
Board designations	
Reserve of economic uncertainty	523,026
Undesignated	<u>1,765,710</u>
<b>Total Net Assets without Donor Restrictions</b>	<b><u>\$ 2,365,408</u></b>

As agreed upon within a memorandum of understanding with the authorizing agency, the Charter agrees to establish and maintain a reserve for economic uncertainty equal to the greater of three percent of total expenditures or \$50,000. As noted above, the Charter has met this reserve limit.

**NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

Financial assets	
Cash and cash equivalents	\$ 1,826,165
Accounts receivable, current portion	368,931
Prepaid expenses	<u>195,333</u>
Total Financial Assets, excluding noncurrent	<u>2,390,429</u>
Board designations	
Reserve for economic uncertainty	<u>(523,026)</u>
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<b><u>\$ 1,867,403</u></b>

**NOTE 9 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Charter also offers all employees social security as an alternative plan who may not qualify for the CalSTRS plans.



**ELEVATE SCHOOL  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2020**

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**NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)**

**California State Teachers’ Retirement System (CalSTRS)**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 10.25% or 10.205% of their 2019-20 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2019-20 was 17.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2019-20	\$ 217,420	100%
2018-19	\$ 215,894	100%
2017-18	\$ 166,440	100%

**On-Behalf Payments**

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Elevate School is estimated at \$170,773. The on-behalf payment amount is computed as the proportionate share of total 2018-19 State on-behalf contributions.

**Alternative Plan**

As established by federal law, all public sector employees who are not members of their employer’s existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Charter offers both social security and a 403(b) employee funded plan. All employees are eligible to participate in the plans. A participant of the 403(b) plan may make an election to defer compensation and have it contributed to this plan.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

**Governmental Funds**

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

**ELEVATE SCHOOL  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2020**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)**

**Multi-employer Defined Benefit Plan Participation**

Under current law on multi-employer defined benefit plans, the Charter’s voluntary withdrawal from any underfunded multi-employer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter’s proportionate share of the multi-employer plan’s unfunded vested liabilities. CalSTRS has estimated that the Charter’s share of withdrawal liability is approximately \$2,244,017 as of June 30, 2019. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 9 for additional information on employee retirement plans.

**Operating Leases**

On June 1, 2015, Elevate School entered into an amended facility lease agreement to occupy space located at 2285 Murray Ridge Road in San Diego, California. The facility is utilized by the Charter for instructional services in order to meet the education goals established by the Charter. The Charter entered into a second amended facility lease on June 25, 2019 to extend the term to end on June 30, 2024. The second amendment increased the security deposit to \$22,000, which is recorded as a noncurrent asset and states monthly base rent amounts that incrementally increase each fiscal year. The total lease payments and recorded rent expense associated with the leased facility amounted to \$266,348 and \$287,476, respectively during the fiscal year ended June 30, 2020.

In August 2014, the Charter entered into an office equipment lease agreement for use of copy machines. In August 2017, this lease agreement was renewed for another five years. Total payments on equipment leases amounted to \$15,140 during the fiscal year ended June 30, 2020.

Future lease payments associated with the above reference operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 264,000	\$ 1,399	\$ 265,399
2022	274,560	1,399	275,959
2023	285,540	-	285,540
2024	296,940	-	296,940
<b>Total</b>	<b>\$ 1,121,040</b>	<b>\$ 2,798</b>	<b>\$ 1,123,838</b>

**NOTE 11 – DONATED MATERIALS AND SERVICES**

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

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The Charter makes payments to the authorizing agency, San Diego Unified School District, to provide required services, purchased services and oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. The Charter also holds a shared facility use agreement with San Diego Unified School District to occupy space on the Vista Grande Elementary School site in the Tierrasanta area of San Diego. This space is utilized as the campus for grades 4-5. Fees associated with facility usage are an additional 2% of local control funding formula sources tied to the ADA which is generated on the Proposition 39 school site. Total for oversight and facility use amounted to \$48,140 for the fiscal year ending June 30, 2020.

**ELEVATE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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**NOTE 13 – SUBSEQUENT EVENTS**

Elevate School has evaluated subsequent events for the period from June 30, 2020 through November 30, 2020, the date the financial statements were available to be issued. As a result of the coronavirus (COVID-19) outbreak, economic uncertainties have arisen which have modified and delayed governmental funding as well as impacted how the Charter operates its programs and activities for the future reporting periods.

At this time, management cannot predict the overall impact of the COVID-19 pandemic, but management continues to monitor the situation, to assess further possible implications to operations, and to take actions in an effort to mitigate adverse consequences. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

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## **SUPPLEMENTARY INFORMATION**

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**ELEVATE SCHOOL  
CHARTER ORGANIZATIONAL STRUCTURE  
JUNE 30, 2020**

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Elevate School, located in San Diego County, was formed as a nonprofit public benefit corporation on April 8, 2013 and numbered by the State Board of Education in March 2014 as Elevate Elementary (Charter No. 1633). Elevate Elementary is authorized to operate as a charter school through San Diego Unified School District. During 2019-20, the Charter served approximately 320 students in grades K to 5.

**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Carol Leighty, Ed.D.	Chair	June 30, 2022
Freda Callahan, Ed.D.	Vice Chair	June 30, 2022
Tom Keliinoi	Treasurer	June 30, 2022
Jill Soulé	Secretary & Parent	June 30, 2022
Kirsten Grimm	Director	June 30, 2022
Adam McWethy	Director	June 30, 2022

**ADMINISTRATION**

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Ryan Elliott, M.Ed.  
*Principal & Executive Officer*

**ELEVATE SCHOOL  
 SCHEDULE OF AVERAGE DAILY ATENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2020**

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	<b>Second Period Report</b>	<b>Annual Report</b>
<i>Certificate No.</i>	<u>99C06C86</u>	<u>F5FE4939</u>
	<u>Classroom-Based</u>	
<b>Grade Span</b>		
Regular ADA		
Kindergarten through third	215.40	215.40
Fourth through sixth	94.22	94.22
Special Education		
Fourth through sixth	<u>0.99</u>	<u>0.99</u>
<b>Total Average Daily Attendance - Classroom Based</b>	<u>310.61</u>	<u>310.61</u>

**ELEVATE SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2020**

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<b>Grade Span</b>	<b>Minutes Requirement</b>	<b>2019-20 Planned Instructional Minutes</b>	<b>2019-20 Planned Number of Days</b>	<b>2019-20 Actual Instructional Minutes</b>	<b>2019-20 Actual Number of Days</b>	<b>Instructional Minutes Closed Due to COVID-19</b>	<b>Number of Days Certified Closed Due to COVID-19*</b>	<b>Status</b>
Kindergarten	36,000	56,000	178	38,430	123	17,570	55	Complied
Grades 1 through 3	50,400	54,905	178	38,160	123	16,745	55	Complied
Grades 4 through 5	54,000	54,680	178	38,015	123	16,665	55	Complied

\*On June 30, 2020, the Charter certified that the school was closed from March 16, 2020 to June 9, 2020 for a total of 55 instructional closed due to COVID-19.

**ELEVATE SCHOOL  
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL  
STATEMENTS  
JUNE 30, 2020**

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June 30, 2020, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 2,382,374</u>
Adjustments:	
Increase (decrease) in total net assets:	
Reclass rent expense as an increase to security deposit	4,162
Record deferred rent liability	<u>(21,128)</u>
Net adjustments	<u>(16,966)</u>
June 30, 2020, net assets per audited financial statements	<u>\$ 2,365,408</u>



**ELEVATE SCHOOL  
NOTES TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**A. Charter Organizational Structure**

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

**B. Schedule of Average Daily Attendance (ADA)**

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

**C. Schedule of Instructional Time**

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

**D. 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.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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

Independent Auditors' Report

To the Board of Directors of  
Elevate School  
San Diego, 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 Elevate School (the "Charter") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated November 30, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

San Diego, California  
November 30, 2020

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

To the Board of Directors of  
Elevate School  
San Diego, California

**Report on State Compliance**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on State Compliance**

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

**Procedures Performed**

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

<b>Description</b>	<b>Procedures Performed</b>
<b>School Districts, County Offices of Education and Charter Schools</b>	
California Clean Energy Jobs Act	No
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not applicable
<b>Charter Schools</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

We did not perform testing of California Clean Energy because the Charter did not receive nor expend any funding for this program.



San Diego, California  
November 30, 2020

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# **FINDINGS AND QUESTIONED COSTS**

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**ELEVATE SCHOOL  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**Financial Statements**

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

**Federal Awards**

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

**State Awards**

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



**ELEVATE SCHOOL  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

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

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

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**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

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

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

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

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