



Annual Financial Report  
June 30, 2019

# Valley Charter Schools



**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

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**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Valley Charter School  
(A California Nonprofit Public Benefit Corporation)  
North Hills, California

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

We have audited the accompanying financial statements of Valley Charter School (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 Charter Schools' 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 Charter Schools' 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 respective financial position of the Charter School, as of June 30, 2019, and the changes in its net assets, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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 accompanying supplementary 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, December 6, 2019, on our consideration of the Charter Schools' 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 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 Schools' 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 School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 6, 2019

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

	Charter Elementary School	Charter Middle School	CMO	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,591,822	\$ 720,950	\$ 33,264	\$ 2,346,036
Accounts receivable	383,621	456,919	-	840,540
Intracompany receivables	500,000	-	-	500,000
Prepaid expenses	40,302	45,003	882	86,187
Total Current Assets	<u>2,515,745</u>	<u>1,222,872</u>	<u>34,146</u>	<u>3,772,763</u>
Non-Current Assets				
Security deposits	2,585	291,458	-	294,043
Property and equipment	139,516	284,134	1,996	425,646
Less: accumulated depreciation	115,026	76,729	1,996	193,751
Total Non-Current Assets	<u>27,075</u>	<u>498,863</u>	<u>-</u>	<u>525,938</u>
Total Assets	<u>\$ 2,542,820</u>	<u>\$ 1,721,735</u>	<u>\$ 34,146</u>	<u>\$ 4,298,701</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 55,702	\$ 109,042	\$ 34,146	\$ 198,890
Intracompany payables	-	500,000	-	500,000
Total Current Liabilities	<u>55,702</u>	<u>609,042</u>	<u>34,146</u>	<u>698,890</u>
<b>NET ASSETS</b>				
Without Donor Restriction	2,487,118	1,112,693	(10,359)	3,589,452
With Donor Restriction			10,359	10,359
Total Net Assets	<u>2,487,118</u>	<u>1,112,693</u>	<u>-</u>	<u>3,599,811</u>
Total Liabilities and Net Assets	<u>\$ 2,542,820</u>	<u>\$ 1,721,735</u>	<u>\$ 34,146</u>	<u>\$ 4,298,701</u>

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Charter Elementary School	Charter Middle School	Without Donor Restricted CMO
<b>REVENUES</b>			
Local Control Funding Formula	\$ 2,168,740	\$ 2,613,197	\$ -
Federal revenue	139,086	181,201	-
State revenue	666,144	771,028	-
Local revenue	255,633	91,117	376,497
Net assets released from restrictions	-	-	52,247
Total Revenue	<u>3,229,603</u>	<u>3,656,543</u>	<u>428,744</u>
<b>EXPENSES</b>			
Program services	2,615,970	2,744,385	-
Management and general	497,545	629,781	439,103
Total Expenses	<u>3,113,515</u>	<u>3,374,166</u>	<u>439,103</u>
<b>CHANGE IN NET ASSETS</b>	116,088	282,377	(10,359)
<b>NET ASSETS BEGINNING OF YEAR</b>	2,371,030	830,316	-
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,487,118</u>	<u>\$ 1,112,693</u>	<u>\$ (10,359)</u>

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With Donor Restricted CMO		Eliminations	Total
\$	-	\$ -	\$ 4,781,937
	-	-	320,287
	-	-	1,437,172
	-	(365,543)	357,704
	(52,247)	\$ -	-
	(52,247)	(365,543)	6,897,100
		-	5,360,355
		(365,543)	1,200,886
	-	(365,543)	6,561,241
	(52,247)	-	335,859
	62,606	-	3,263,952
\$	10,359	\$ -	\$ 3,599,811

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Charter Elementary School	Charter Middle School	CMO	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ 116,088	\$ 282,377	\$ (62,606)	\$ 335,859
Adjustments to reconcile increase (decrease) in net assets to net cash provided/used by operating activities				
Depreciation expense	20,978	8,145	-	29,123
Changes in operating assets and liabilities				
Increase in accounts receivable	(171,186)	(108,218)	-	(279,404)
Increase in intracompany receivables	(500,000)			(500,000)
Decrease (Increase) in prepaid expenditures	(1,560)	(3,155)	53	(4,662)
Increase in security deposits	(2,585)	(250,233)		(252,818)
Increase in accounts payable	22,217	192	14,932	37,341
Increase in intracompany payable	-	500,000	-	500,000
Net Cash Provided/Used by Operating Activities	<u>(516,048)</u>	<u>429,108</u>	<u>(47,621)</u>	<u>(134,561)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Capital expenditures	<u>(6,390)</u>	<u>(193,111)</u>	<u>-</u>	<u>(199,501)</u>
<b>NET CHANGE IN CASH</b>	(522,438)	235,997	(47,621)	(334,062)
<b>CASH, BEGINNING OF YEAR</b>	<u>2,114,260</u>	<u>484,953</u>	<u>80,885</u>	<u>2,680,098</u>
<b>CASH, END OF YEAR</b>	<u>\$ 1,591,822</u>	<u>\$ 720,950</u>	<u>\$ 33,264</u>	<u>\$ 2,346,036</u>

The accompanying notes are an integral part of these financial statements.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Charter Elementary School		
	Program Services	Management and General	Subtotal Expenses
Personnel			
Salaries	\$ 1,409,956	\$ 185,550	\$ 1,595,506
Employee benefits	163,702	19,117	182,819
Payroll taxes	388,419	35,321	423,740
Total Personnel	<u>1,962,077</u>	<u>239,988</u>	<u>2,202,065</u>
Operating			
Fees for services	175,644	132,427	308,071
Advertising and promotions	-	1,265	1,265
Office expenses	-	9,655	9,655
Information technology	-	5,998	5,998
Occupancy	259,393	22,107	281,500
Travel	-	5,577	5,577
Depreciation	20,978	-	20,978
Insurance	-	15,756	15,756
Other expenses	36,665	42,952	79,617
Capital outlay	30,554	-	30,554
Special education	41,359	-	41,359
Instructional materials	37,465	140	37,605
Nutrition	51,835	-	51,835
District oversight fee	-	21,680	21,680
Total Operating	<u>653,893</u>	<u>257,557</u>	<u>911,450</u>
Total Functional Expenses	<u>\$2,615,970</u>	<u>\$ 497,545</u>	<u>\$3,113,515</u>

The accompanying notes are an integral part of these financial statements.

Charter Middle School			CMO			Elimination	Total
Program Services	Management and General	Subtotal Expenses	Program Services	Management and General	Subtotal Expenses		
\$ 1,380,887	\$ 222,480	\$ 1,603,367	\$ -	\$ 175,000	\$ 175,000	\$ (145,683)	\$ 3,228,190
160,366	23,461	183,827	-	12,687	12,687	(10,562)	368,771
367,518	38,711	406,229	-	31,101	31,101	(25,891)	835,179
<u>1,908,771</u>	<u>284,652</u>	<u>2,193,423</u>	<u>-</u>	<u>218,788</u>	<u>218,788</u>	<u>(182,136)</u>	<u>4,432,140</u>
189,099	158,413	347,512	-	164,232	164,232	(136,719)	683,096
-	4,455	4,455	-	39	39	(33)	5,726
-	12,511	12,511	-	749	749	(624)	22,291
-	5,882	5,882	-	-	-	-	11,880
397,913	40,970	438,883	-	-	-	-	720,383
-	22,724	22,724	-	9,353	9,353	(7,786)	29,868
8,145	-	8,145	-	-	-	-	29,123
-	19,350	19,350	-	42,171	42,171	(35,106)	42,171
51,785	54,538	106,323	-	3,397	3,397	(2,828)	186,509
52,836	-	52,836	-	-	-	-	83,390
50,226	-	50,226	-	-	-	-	91,585
40,138	170	40,308	-	374	374	(311)	77,976
45,472	-	45,472	-	-	-	-	97,307
-	26,116	26,116	-	-	-	-	47,796
<u>835,614</u>	<u>345,129</u>	<u>1,180,743</u>	<u>-</u>	<u>220,315</u>	<u>220,315</u>	<u>(183,407)</u>	<u>2,129,101</u>
<u>\$ 2,744,385</u>	<u>\$ 629,781</u>	<u>\$ 3,374,166</u>	<u>\$ -</u>	<u>\$ 439,103</u>	<u>\$ 439,103</u>	<u>\$ (365,543)</u>	<u>\$ 6,561,241</u>

The accompanying notes are an integral part of these financial statements.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES***

**Organization**

Valley Charter School is a Nonprofit Public Benefit Corporation operating two charter schools: Valley Charter Elementary School and Valley Charter Middle School (the Charter Schools). The Charter Schools are organized around the premise that all children deserve an education that is both academically excellent and individually focused to recognize and capture the whole potential of each student. The Charter Schools believe children of all backgrounds should learn together and from one another, and that communities and parents can create great schools and provide the highest quality education to all children.

**Valley Charter Elementary School**

Charter school number authorized by the State: 1237

Valley Charter Elementary School (Charter Elementary School) located in North Hills, California, at 16514 Nordhoff Street, petitioned for a charter through the Los Angeles Unified School District (LAUSD) and was approved on June 15, 2010, for a period of five years ending in 2015. On December 9, 2014, LAUSD's Governing Board voted to renew Valley Charter Elementary School for a five-year term effective July 1, 2015, through June 30, 2020. The Charter Elementary School was numbered by the State of California Department of Education on July 15, 2010. The Charter Elementary School opened in September 2010, and served 264 students in grades kindergarten through fifth in the 2018-2019 fiscal year.

**Valley Charter Middle School**

Charter school number authorized by the State: 1238

Valley Charter Middle School (Charter Middle School) located in Van Nuys, California, at 6952 Van Nuys Blvd. and 14646 Sherman Way, petitioned for a charter through the Los Angeles Unified School District and was approved on June 15, 2010, for a period of five years ending in 2015. On January 13, 2015, LAUSD's Governing Board voted to renew Valley Charter Middle School for a five-year term effective July 1, 2015, through June 30, 2020. The Charter Middle School was numbered by the State of California Department of Education on July 15, 2010. The Charter Middle School opened in August 2011, and served 328 students in the sixth through eighth grade in the 2018-2019 fiscal year.

**Charter Management Organization (CMO)**

Administrative support is provided to the individual schools by the CMO and accounted for separately within the financial statements using an allocation based on student enrollment.

**Other Related Entities**

**Joint Powers Agency and Risk Management Pools** - The Charter Schools are associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Charter Schools. Additional information is presented in Note 11 to the financial statements.

**VALLEY CHARTER SCHOOL**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Cash and Cash Equivalents**

The Charter Schools considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

**Property and Equipment**

Property and Equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Charter Schools review the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

**Intracompany Receivables/Payables**

Intracompany payables result from a loan provided to the Charter Middle School by the Charter Elementary School.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

**VALLEY CHARTER SCHOOL**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Charter Schools report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Operating funds for the Charter Schools are derived principally from state and federal sources. The Charter Schools receive state funding based on each of the enrolled student's average daily attendance (ADA) in its schools. The Charter Schools receive federal grants, which are paid through the California Department of Education or other federal and state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

**Income Taxes**

The Charter Schools are a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Charter School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Charter School is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Charter Schools determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Charter Schools to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Charter Schools to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Charter Schools' mission.

**VALLEY CHARTER SCHOOL**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**Recent Accounting Pronouncements**

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Charter Schools for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

**Change in Accounting Principle**

As of July 1, 2018, the Charter Schools adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Charter Schools donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Charter Schools' intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Charter Schools' liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Charter Schools has elected not to present comparative information for these amendments.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

The Charter Schools has adopted this standard as management believes the standard improves the usefulness and understandability of the Charter Schools financial reporting.

**Adjustments Resulting from Change in Accounting Policy**

As disclosed above, the Charter Schools adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Charter Schools' June 30, 2018 financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 3,201,346	\$ (3,201,346)	\$ -
Temporarily restricted net assets	62,606	(62,606)	-
Net assets without donor restrictions	-	3,201,346	3,201,346
Net assets with donor restrictions	-	62,606	62,606
	<u>\$ 3,263,952</u>	<u>\$ -</u>	<u>\$ 3,263,952</u>

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Charter Elementary School	Charter Middle School	CMO	Total
Financial Assets				
Cash and cash equivalents	\$ 1,591,822	\$ 720,950	\$ 33,264	\$ 2,346,036
Accounts receivable and prepaid expenses	423,923	501,922	882	926,727
Intracompany receivables	500,000	-	-	500,000
Financial Assets, at year-end	<u>\$ 2,515,745</u>	<u>\$ 1,222,872</u>	<u>\$ 34,146</u>	<u>\$ 3,772,763</u>
Less those unavailable for general expenditures within one year, due to:				
Donor-imposed restrictions:				
Restrictions by donor with purpose restrictions	-	-	(10,359)	(10,359)
Financial assets available to meet cash needs for general expenditure within one year	<u>2,515,745</u>	<u>1,222,872</u>	<u>23,787</u>	<u>3,762,404</u>

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2019, consisted of the following:

	Reported Amount			Total Book Balance	Bank Balance
	Charter Elementary School	Charter Middle School	CMO		
Deposits					
Cash on hand and in banks	\$ 1,591,822	\$ 720,950	\$ 33,264	\$ 2,346,036	\$ 2,487,900

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter Schools maintain cash in bank deposit accounts that at times may exceed federally insured limits. The Charter Schools have not experienced any losses in such accounts. At June 30, 2019, the Charter Schools had \$2,237,900 in excess of FDIC insured limits. Management believes the Charter Schools are not exposed to any significant risk related to cash.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019, consisted of the following:

	Charter Elementary School	Charter Middle School	Total
Local Control Funding Formula	\$ 188,176	\$ 210,378	\$ 398,554
Federal receivables	21,910	57,157	79,067
State receivables	52,520	64,088	116,608
Lottery	100,443	120,417	220,860
Other local receivables	20,572	4,879	25,451
Total Accounts Receivable	\$ 383,621	\$ 456,919	\$ 840,540

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - PREPAID EXPENSES AND SECURITY DEPOSITS**

Prepaid expenses and security deposits at June 30, 2019, consisted of the following:

	Charter Elementary School	Charter Middle School	CMO	Total
Prepaid rent, insurance, and miscellaneous vendors	\$ 40,302	\$ 45,003	\$ 882	\$ 86,187
Security deposits	2,585	291,458	-	294,043
	<u>\$ 42,887</u>	<u>\$ 336,461</u>	<u>\$ 882</u>	<u>\$ 380,230</u>

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019, consisted of the following:

	Charter Elementary School	Charter Middle School	CMO	Total
Buildings and site improvements	\$ 5,255	\$ 13,483	\$ -	\$ 18,738
Computer equipment	125,597	67,092	1,996	194,685
Furniture	8,664	15,365	-	24,029
Work in progress	-	188,194	-	188,194
Subtotal	<u>139,516</u>	<u>284,134</u>	<u>1,996</u>	<u>425,646</u>
Less: accumulated depreciation	<u>(115,026)</u>	<u>(76,729)</u>	<u>(1,996)</u>	<u>(193,751)</u>
Total Fixed Assets	<u>\$ 24,490</u>	<u>\$ 207,405</u>	<u>\$ -</u>	<u>\$ 231,895</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2019, consisted of the following:

	Charter Elementary School	Charter Middle School	CMO	Total
Salaries and benefits	\$ 1,992	\$ 5,753	\$ 176	\$ 7,921
Compensated absences	1,870	23,654	20,191	45,715
Vendor payables	49,925	77,976	13,779	141,680
Due to grantor	1,915	1,659	-	3,574
Total Accounts Payable	<u>\$ 55,702</u>	<u>\$ 109,042</u>	<u>\$ 34,146</u>	<u>\$ 198,890</u>

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>CMO</u>
Subject to expenditure for specified purpose	
Walton family grant program	<u>\$ 10,359</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2019:

	<u>CMO</u>
Satisfaction of purpose restrictions	
Walton family grant program	<u>\$ 52,247</u>

**NOTE 9 - OPERATING LEASE**

During 2018-2019, Valley Charter School entered into a lease agreement with Valley Park Baptist Church. The term of the lease begins August 1, 2018 and ends July 31, 2019. Monthly payments of \$22,633 will be due on the first day of each month.

During 2017-2018, Valley Charter extended its lease agreement with First Lutheran Church of Van Nuys for the use of a portion of their facilities for Valley Charter Middle School. The term of the lease begins August 1, 2018 and ends July 31, 2019. Monthly payments of \$16,738 will be due on the first day of each month.

On May 28, 2018, Valley Charter School renewed its lease agreement with St. Mark’s Episcopal Church for the use of their facilities for Valley Charter Middle School’s sixth grade classes located at 14646 Sherman Way, Van Nuys CA 91405. The term of the lease begins August 1, 2018 and ending July 31, 2019. Monthly payments of \$7,983 will be due on the first day of each month.

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are covered by a 403(b) Tax deferred Annuity Plan (TDA).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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The details of each plan are as follows:

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

**Plan Description**

The Charter Schools contribute to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Charter School contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

**Contributions**

Required member, the Charter Schools and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the Charter Schools' total contributions were \$396,916.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the Charter Schools. These payments consist of State General Fund contributions to CalSTRS in the amount of \$338,231 (9.828 percent of salaries subject to CalSTRS and SB 90 contributions). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.2456 billion for CalSTRS and \$904 million for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**403(b) Tax Deferred Annuity Plan**

The Charter Schools also contribute to a classified employee 403(b) Tax Deferred Annuity Plan (TDA), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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***NOTE 11 - PARTICIPATION IN JOINT POWERS AUTHORITY***

The Charter Schools are a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between The Charter Schools and CharterSAFE is such that CharterSAFE is not considered a component unit of the Charter Schools for financial reporting purposes.

CharterSAFE has budgeting and financial reporting requirements independent of member units and CharterSAFE's financial statements are not presented in these financial statements; however, transactions between CharterSAFE and the Charter Schools are included in these statements. Audited financial statements for CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, the Charter Schools made payments of \$72,673 to CharterSAFE for services received. At June 30, 2019, the Charter Schools had no recorded accounts receivable or accounts payable to CharterSAFE.

***NOTE 12 - CONTINGENCIES***

The Charter Schools have received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

**Litigation**

The Charter Schools have no outstanding claims or litigation.

***NOTE 13 - SUBSEQUENT EVENTS***

The Charter Schools' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through, December 6, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Valley Charter School extended its lease agreement with Valley Park Baptist Church on August 28, 2019 for a 5-year term beginning August 1, 2019, and ending July 31, 2025. For FY 2019-20, monthly payments of \$22,829 will be due on the first day of each month.

On March 15, 2019 Valley Charter School extended its lease agreement with First Lutheran Church of Van Nuys for the use of a portion of their facilities for Valley Charter Middle School grades 7 and 8. The term of the lease begins August 1, 2019, and ends July 31, 2020. Monthly payments of \$16,738 will be due on the first day of each month.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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Valley Charter School extended its lease agreement with St Mark's Episcopal Church for the use of a portion of their facilities for Valley Charter Middle School grade 6. The term of the lease begins August 1, 2019 and ends July 31, 2020. Monthly payments of \$8,221.97 will be due on the first day of each month.



**SUPPLEMENTARY INFORMATION**

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**ORGANIZATION**

Valley Charter Elementary School (Charter № 1237) was granted on June 15, 2010, by the Los Angeles Unified School District. The Charter Elementary School operates one elementary school grades kindergarten through fifth.

Valley Charter Middle School (Charter № 1238) was granted on June 15, 2010, by the Los Angeles Unified School District. The Charter Middle School operates one school grades sixth through eighth.

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Daniel Chang	Chair	July 1, 2019
Bill Roberts	Treasurer	July 1, 2019
Angie Saldivar	Co-Secretary	July 1, 2019
Carol Lynn Smith	Co-Secretary	July 1, 2019
Michelle Bennett	Member	July 1, 2019
Lindsay Combes	Member	October 30, 2020
Jennifer Hawtrey	Member	October 30, 2020
Tess Ramin	Member	July 1, 2019
Carolyn Yaffe	Member	July 1, 2020

**ADMINISTRATION**

Robert Burke	Executive Director
Sheri Werner	Principal, Valley Charter Elementary School
Matthew Rubin	Principal, Valley Charter Middle School

See accompanying note to supplementary information.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Valley Charter Elementary School**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	168.38	168.47
Fourth through sixth	83.52	83.62
Total Regular ADA	<u>251.90</u>	<u>252.09</u>
Classroom based ADA		
Transitional kindergarten through third	168.38	168.47
Fourth through sixth	83.52	83.62
Total Classroom Based ADA	<u>251.90</u>	<u>252.09</u>

The Charter Elementary School did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Valley Charter Middle School**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Fourth through sixth	89.58	89.47
Seventh through eighth	<u>216.21</u>	<u>214.14</u>
Total Regular ADA	<u>305.79</u>	<u>303.61</u>
Extended Year Special Education		
Seventh and eighth	<u>0.11</u>	<u>0.11</u>
Total Extended Year Special Education	<u>0.11</u>	<u>0.11</u>
Total Regular ADA	<u>305.90</u>	<u>303.72</u>
Classroom based ADA		
Fourth through sixth	89.58	89.47
Seventh through eighth	<u>216.21</u>	<u>214.14</u>
Total Classroom Based ADA	<u>305.79</u>	<u>303.61</u>
Extended Year Special Education		
Seventh and eighth	<u>0.11</u>	<u>0.11</u>
Total Extended Year Special Education	<u>0.11</u>	<u>0.11</u>
Total Classroom Based ADA	<u>305.90</u>	<u>303.72</u>

The Charter Middle School did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**Valley Charter Elementary School**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,615	175	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,755	175	N/A	Complied
Grade 2		54,755	175	N/A	Complied
Grade 3		54,755	175	N/A	Complied
Grade 4 - 5	54,000				
Grade 4		54,755	175	N/A	Complied
Grade 5		54,755	175	N/A	Complied

**Valley Charter Middle School**

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grade 6 - 8	54,000				
Grade 6		57,165	175	N/A	Complied
Grade 7		58,040	175	N/A	Complied
Grade 8		58,040	175	N/A	Complied

See accompanying note to supplementary information.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

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***NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES***

**Local Education Agency Organization Structure**

This schedule provides information about the schools operated, members of the governing board, and members of the administration.

**Schedule of Average Daily Attendance**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter Schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Charter Schools and whether the Charter Schools complied with the provisions of *Education Code* Sections 46200 through 46206, if applicable.

The Charter Schools must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 46201.

**Reconciliation of Annual Financial Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual Financial Report to the audited financial statements.



***INDEPENDENT AUDITOR'S REPORTS***



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S 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***

Governing Board  
Valley Charter School  
(A California Nonprofit Public Benefit Corporation)  
North Hills, California

We have audited, in accordance with the 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 Valley Charter School (the Charter School) as of and for the year ended June 30, 2019, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated, December 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School'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 School'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 determination of financial statement amounts. 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 6, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Valley Charter School  
(A California Nonprofit Public Benefit Corporation)  
North Hills, California

### **Report on State Compliance**

We have audited Valley Charter School's (the Charter School) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Charter School's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Charter School's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Charter 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 opinions. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Charter School did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The Charter School does not operate a before or after school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

The Charter School does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

The Charter School does not offer Non Classroom-Based Instruction; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
December 6, 2019



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SUMMARY OF AUDITOR'S RESULTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**VALLEY CHARTER SCHOOL**  
**(A California Nonprofit Public Benefit Corporation)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.