

NEW ACADEMY

OPERATING:

**N.E.W. ACADEMY OF SCIENCE AND ART - 0521
N.E.W. ACADEMY CANOGA PARK - 0592**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019



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**NEW ACADEMY
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
NEW Academy
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of NEW Academy (the Academy), a California nonprofit public benefit corporation, which comprise 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.

Auditors' 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 of 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 auditors' 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 on page 1 present fairly, in all material respects, the financial position of the Academy as of June 30, 2019, 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 Academy's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title U.S. 2 *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The NASA, Canoga Park, and Eliminations columns in the statements of financial position, activities and cash flows as well as the accompanying supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are 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 a report dated December 4, 2019 on our consideration of the Academy'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 on the Academy'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 Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 4, 2019

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

	NASA	Canoga Park	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 860,451	\$ 1,949,948	\$ -	\$ 2,810,399
Accounts Receivable - Federal and State	841,028	733,485	(50,000)	1,524,513
Investments	-	3,621,814	-	3,621,814
Due from NASA - Current Portion	-	24,202	(24,202)	-
Due from Others	53,435	-	-	53,435
Prepaid Expenses and Other Assets	58,222	48,776	-	106,998
Total Current Assets	1,813,136	6,378,225	(74,202)	8,117,159
LONG-TERM ASSETS				
Deposits	41,235	759	-	41,994
Property, Plant, and Equipment, Net	57,398	183,402	-	240,800
Total Long-Term Assets	98,633	184,161	-	282,794
Total Assets	\$ 1,911,769	\$ 6,562,386	\$ (74,202)	\$ 8,399,953
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	113,908	244,063	\$ (50,000)	\$ 307,971
Due to Canoga Park - Current Portion	24,202	-	(24,202)	-
Total Current Liabilities	138,110	244,063	(74,202)	307,971
NET ASSETS				
Without Donor Restriction	1,773,659	6,318,323	-	8,091,982
Total Net Assets	1,773,659	6,318,323	-	8,091,982
Total Liabilities and Net Assets	\$ 1,911,769	\$ 6,562,386	\$ (74,202)	\$ 8,399,953

See accompanying Notes to Financial Statements.

**NEW ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>NASA</u>	<u>Canoga Park</u>	<u>Total</u>
REVENUES, WITHOUT DONOR RESTRICTION			
State Revenue:			
State Aid	\$ 3,248,174	\$ 3,689,752	\$ 6,937,926
Other State Revenue	902,197	635,558	1,537,755
Federal Revenue:			
Grants and Entitlements	565,304	700,390	1,265,694
Local Revenue:			
In-Lieu Property Tax Revenue	993,088	1,143,330	2,136,418
Contributions	60,956	9,365	70,321
Interest and Investment Return	-	184,984	184,984
Other Revenue	44,434	119,480	163,914
Total Revenues Without Donor Restriction	<u>5,814,153</u>	<u>6,482,859</u>	<u>12,297,012</u>
EXPENSES:			
Program Services	4,592,721	4,408,467	9,001,188
Management and General	877,322	1,366,712	2,244,034
Fundraising	6,241	2,056	8,297
Total Expenses	<u>5,476,284</u>	<u>5,777,235</u>	<u>11,253,519</u>
CHANGE IN NET ASSETS	337,869	705,624	1,043,493
Net Assets Without Donor Restriction, Beginning of Year	<u>1,435,790</u>	<u>5,612,699</u>	<u>7,048,489</u>
NET ASSETS WITHOUT DONOR RESTRICTION, END OF YEAR	<u>\$ 1,773,659</u>	<u>\$ 6,318,323</u>	<u>\$ 8,091,982</u>

See accompanying Notes to Financial Statements.

**NEW ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	NASA	Canoga Park	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets	\$ 337,869	\$ 705,624	\$ 1,043,493
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:			
Depreciation	281,465	59,651	341,116
Unrealized Gains on Investments	-	(109,081)	(109,081)
Change in Operating Assets:			
Accounts Receivable - Federal and State	(196,877)	(243,729)	(440,606)
Due from Others	(20,257)	175	(20,082)
Due from NASA	-	160,177	160,177
Prepaid Expenses and Other Assets	2,803	807	3,610
Change in Operating Liabilities:			
Accounts Payable and Accrued Liabilities	(163,249)	93,886	(69,363)
Due to Others	(60,177)	-	(60,177)
Net Cash Provided by Operating Activities	181,577	667,510	849,087
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	-	(1,574,354)	(1,574,354)
Proceeds from Sale of Investments	-	71,472	71,472
Purchases of Property, Plant, and Equipment	(39,220)	(9,970)	(49,190)
Net Cash Used by Investing Activities	(39,220)	(1,512,852)	(1,552,072)
NET CHANGE IN CASH AND CASH EQUIVALENTS	142,357	(845,342)	(702,985)
Cash and Cash Equivalents, Beginning of Year	718,094	2,795,290	3,513,384
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 860,451	\$ 1,949,948	\$ 2,810,399

See accompanying Notes to Financial Statements.

**NEW ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	\$ 3,900,034	\$ 645,169	\$ -	\$ 4,545,203
Pension Expense	630,578	100,792	-	731,370
Other Employee Benefits	688,723	112,886	-	801,609
Payroll Taxes	118,879	49,861	-	168,740
Regulatory and Support Fees	90,843		-	90,843
Legal Expenses	-	42,178	-	42,178
Accounting Expenses	-	168,800	-	168,800
Other Fees For Services	1,290,931	541,630	-	1,832,561
Advertising and Promotion Expenses	-	14,559	-	14,559
Office Expenses	61,406	327,511	-	388,917
Occupancy Expenses	412,341	111,615	-	523,956
Travel Expenses	29,454		-	29,454
Payments to Affiliates	352,326		-	352,326
Depreciation Expense	257,233	83,883	-	341,116
Insurance Expense	83,883		-	83,883
Other Expenses	77,125	45,150	8,297	130,572
Instructional Materials	1,007,432		-	1,007,432
Total	<u>\$ 9,001,188</u>	<u>\$ 2,244,034</u>	<u>\$ 8,297</u>	<u>\$ 11,253,519</u>

See accompanying Notes to Financial Statements.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

NEW Academy (the Academy) is a nonprofit public benefit corporation under the laws of the state of California for the purpose of managing and operating public charter schools located in Los Angeles. The Academy is economically dependent on state and federal funding.

The charters may be revoked by the Los Angeles Unified School District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the Academy's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The occupancy expenses that are allocated on the basis of estimates of time and effort for usage in line with personnel cost.

Cash and Cash Equivalents

The Academy defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed 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 (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2019. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The estimated useful lives ranges from 3 to 35 years.

Contributed Assets and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Academy is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

NEW ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value. Both unrealized gains and losses from the fluctuation of fair value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

The Academy's investment return for the year ended June 30, 2019 was as follows:

Unrealized Gains and Losses	\$ 109,081
Interest and Dividends	102,430
Investment Fees	<u>(26,527)</u>
Total Investment Return	<u><u>\$ 184,984</u></u>

Revenue Recognition

Amounts received from the California Department of Education are recognized as revenue by the Academy based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Income Taxes

The Academy is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocations Between Charter Schools

For the year ended June 30, 2019, the Academy has chosen to identify each charter school separately within the basic financial statements. In cases where specific identification of each charter's activities was not possible, items were allocated according to Average Daily Attendance (ADA).

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Evaluation of Subsequent Events

The Academy has evaluated subsequent events through December 4, 2019, the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of cash and cash equivalents, accounts receivable and current portion of investments for the total amount of \$8,010,161.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Academy maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Academy has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

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

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Academy capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2019 was \$341,116.

The components of property, plant, and equipment as of June 30, 2019 are as follows:

	<u>NASA</u>	<u>Canoga Park</u>	<u>Total</u>
Building and Improvements	\$ 649,610	\$ 105,329	\$ 754,939
Leasehold Improvements	79,255	62,145	141,400
Equipment, Furniture and Fixtures	42,487	432,942	475,429
Total	<u>771,352</u>	<u>600,416</u>	<u>1,371,768</u>
Less: Accumulated Amortization	<u>(713,954)</u>	<u>(417,014)</u>	<u>(1,130,968)</u>
Total Property, Plant, and Equipment	<u>\$ 57,398</u>	<u>\$ 183,402</u>	<u>\$ 240,800</u>

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair values. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. For each level of the hierarchy, the fair value level measurement is classified as follows:

- Level 1* – quoted prices in an active market for identical assets;
- Level 2* – quoted prices for similar assets and market – corroborated inputs;
- Level 3* – quoted price not readily available. Fair value based on best information available.

The Academy's investments consist of the following at June 30, 2019:

	<u>Level 1</u>	<u>Total Investments</u>
Fixed Income Mutual Funds	\$ 3,621,814	\$ 3,621,814

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

NOTE 6 EMPLOYEE RETIREMENT

Multi-Employer Defined Benefit Pension Plans

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the state of California.

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 Academy chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Academy contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. 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. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018, total STRS plan net assets are \$225 billion, the total actuarial present value of accumulated plan benefits is \$374 billion, contributions from all employers totaled \$4.9 billion, and the plan is 64% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the SIRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020-21. The required employer contribution rate for year ended June 30, 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

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

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

State Teachers' Retirement System (STRS) (Continued)

The Academy's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 385,616	100%
2018	\$ 425,246	100%
2019	\$ 475,556	100%

Public Employees' Retirement System (PERS)

Plan Description

The Academy contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Comprehensive Annual Financial Report for the year ended June 30, 2018, the School Employer Pool total plan assets are \$60.9 billion, the present value of accumulated plan benefits is \$99.6 billion, contributions from all employers totaled \$1.8 billion, and the plan is 72.1% funded. The school did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and www.calpers.ca.gov.

Funding Policy

Active plan members brought into PERS membership prior to January 1, 2013, are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% of their salary. The Academy is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2019 was 18.062%. The contribution requirements of the plan members are established and may be amended by state statute.

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

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The Academy's contributions to PERS for each of the last three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 193,180	100%
2018	\$ 209,346	100%
2019	\$ 255,814	100%

Defined Contribution Plan

The Academy offers an Internal Revenue Code Section 403(b) retirement plan to each of its qualifying employees. The plan allows participants to make contributions as permitted by Internal Revenue Service limitations. Contributions vest immediately. There is no matching provision under the Plan.

NOTE 7 OPERATING LEASES AND RELATED PARTY TRANSACTIONS

The Academy has various operating leases for the NASA school site with a related party, a non-voting board member. Original leases agreements expired October 2019, but subsequent to June 30, 2019, have been renewed through October 2020. Lease expense under these agreements for the year ended June 30, 2019 was \$523,956.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 535,301
2021	119,199
Total	<u>\$ 654,500</u>

NOTE 8 CONTINGENCIES

The Academy 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 disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

SUPPLEMENTARY INFORMATION

**NEW ACADEMY
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2019**

NEW Academy (the Academy) operates two schools: NEW Academy of Canoga Park (Canoga Park) and NEW Academy of Science and Arts (NASA). Both schools are included as the NEW Academy reporting entity.

Both charters were approved in 2003 by the Los Angeles Unified School District (the District), pursuant to the terms of the Charter Schools Act of 1992 as amended.

The District has granted Canoga Park School, a charter through June 30, 2023, and NASA a school charter through June 30, 2023. The charters may be revoked by the District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

NASA's Charter number is 521. Canoga Park's Charter number is 592.

The Board of Directors and the Administrators as of the year ended June 30, 2019 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires (3 year term)</u>
Dr. Ron Solorzano	President	June 2019
Victor Gil	Vice President	June 2019
Brent Bradley	Treasurer	June 2019
Patricia Didonato	Secretary	June 2019
Lupe Simpson	Member	June 2020
Martha Arias	Member	June 2020
Maggie Cervantes	Non-Voting Advisory Member	June 2019
Bea Stotzer	Non-Voting Advisory Member	June 2019

ADMINISTRATORS

Eric A. Todd, Ed.D.	Principal – NASA
David Martinez	Assistant Principal – NASA
Clara Guerrero	Principal – Canoga Park

**NEW ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2019**

	<u>Instructional Minutes</u>		<u>Traditional Calendar Days</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>		
NASA:				
Kindergarten	36,000	60,505	180	In compliance
Grade 1	50,400	60,265	180	In compliance
Grade 2	50,400	60,265	180	In compliance
Grade 3	50,400	60,265	180	In compliance
Grade 4	54,000	60,265	180	In compliance
Grade 5	54,000	60,265	180	In compliance
 Canoga Park:				
Kindergarten	36,000	59,815	180	In compliance
Grade 1	50,400	56,135	180	In compliance
Grade 2	50,400	58,895	180	In compliance
Grade 3	50,400	58,895	180	In compliance
Grade 4	54,000	58,895	180	In compliance
Grade 5	54,000	58,895	180	In compliance

**NEW ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2019**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
NASA:				
Grades TK/K-3	277.53	277.53	278.89	278.89
Grades 4-6	112.85	112.85	112.86	112.86
ADA Totals	390.38	390.38	391.75	391.75
 Canoga Park:				
Grades TK/K-3	298.99	298.99	299.54	299.54
Grades 4-6	150.45	150.45	150.13	150.13
ADA Totals	449.44	449.44	449.67	449.67

See Independent Auditors' Report and the accompanying Notes to Supplementary Information

**NEW ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

There were no variances from the audited financial statements to the unaudited financial statements.

**NEW ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	NASA	Canoga Park	Federal Expenditures
U.S. Department of Education					
Pass-Through Program From					
California Department of Education:					
Every Child Succeeds Act					
Title I, Part A, Basic Grants:					
Low-Income and Neglected	84.010	14329	\$ 193,110	\$ 190,886	\$ 383,996
Title II, Part A, Teacher Quality	84.367	14341	20,601	25,238	45,839
Title III, Limited English Proficiency	84.365	14346	33,221	25,530	58,751
Special Education Cluster:					
Special Education - IDEA Basic Local Assisance	84.027	13379	81,070	93,335	174,405
Special Education Cluster Subtotal			<u>81,070</u>	<u>93,335</u>	<u>174,405</u>
<i>Total U.S Department of Education</i>			328,002	334,989	662,991
U.S. Department of Agriculture					
Pass-Through Program From					
California Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program Especially Needy	10.553	13526	50,099	103,925	154,024
National School Lunch Program	10.555	13396	187,203	230,747	417,950
Special Supplemental Nutrition Program	10.557	N/A	-	30,729	30,729
Child Nutrition Cluster Subtotal			<u>237,302</u>	<u>365,401</u>	<u>602,703</u>
<i>Total U.S Department of Agriculture</i>			237,302	365,401	602,703
Total Federal Expenditures			<u>\$ 565,304</u>	<u>\$ 700,390</u>	<u>\$ 1,265,694</u>

N/A - Pass-through entity number not readily available or not applicable.

**NEW ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the Academy. 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.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Academy under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented on an accrual basis of accounting in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

NOTE 5 INDIRECT COST RATE

The Academy has elected to use a rate other than the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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***

Board of Directors
NEW Academy
Los Angeles, 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 NEW Academy (the Academy), a nonprofit California public benefit corporation, which comprise 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, the related notes to the financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 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 Academy'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
December 4, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
NEW Academy
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of NEW Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Glendora, California
December 4, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
NEW Academy
Los Angeles, California

We have audited NEW Academy's (the Academy) compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. The Academy's state compliance requirements are identified in the table below.

Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

Auditors' Responsibility

Our responsibility is to express an opinion on the Academy's compliance based on our audit of the types of compliance requirements referred to below. 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Academy'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 state compliance. Our audit does not provide a legal determination of the Academy's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not applicable
Before/After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the Academy complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 4, 2019

**NEW ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes _____ x no
 - Significant deficiency(ies) identified? _____ yes _____ x none reported

3. Noncompliance material to financial statements noted? _____ yes _____ x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes _____ x no
 - Significant deficiency(ies) identified? _____ yes _____ x none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ x no

Identification of Major Federal Programs

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I, Part A, Basic Grants: Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**NEW ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Financial Statement and Federal Findings

There were no findings and questioned costs related to the basic financial statements, state awards, or federal awards for the year ended June 30, 2019.

**NEW ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

There were no findings and questioned costs related to the basic financial statements, state awards, or federal awards for the prior year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

