

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY

CHARTER SCHOOL NUMBER: 1838

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF CASH FLOWS	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE	19
SCHEDULE OF INSTRUCTIONAL TIME	20
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS	21
NOTES TO SUPPLEMENTARY INFORMATION	22
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 <i>GOVERNMENT AUDITING STANDARDS</i>	23
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE	25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	28



INDEPENDENT AUDITORS' REPORT

Board of Directors
California School of the Arts - San Gabriel Valley
Duarte, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of California School of the Arts - San Gabriel Valley (the Organization), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, 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.

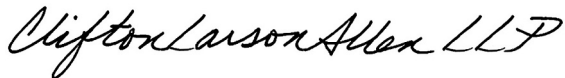
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Organization’s consolidated financial statements as a whole. The California School of the Arts – San Gabriel Valley, SMG Arts Property, LLC, and eliminations columns in the consolidated 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 consolidated 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 consolidated 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 consolidated 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 7, 2021 on our consideration of the Organization’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 Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 7, 2021

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	CA School of the Arts - SGV	SMG Arts Property LLC	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 158,135	\$ 405,733	\$ 563,868
Accounts Receivable - Federal and State	4,213,818	-	4,213,818
Accounts Receivable - Other	250	-	250
Intercompany receivable	-	-	-
Prepaid Expenses and Other Assets	112,113	126,000	238,113
Total Current Assets	4,484,316	531,733	5,016,049
LONG-TERM ASSETS			
Restricted Cash and Cash Equivalents	200,000	-	200,000
Property, Plant, and Equipment, Net	432,133	5,564,572	5,996,705
Deposits	12,801	48,000	60,801
Total Long-Term Assets	644,934	5,612,572	6,257,506
Total Assets	\$ 5,129,250	\$ 6,144,305	\$ 11,273,555
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 293,197	\$ 24,531	\$ 317,728
Due to OCSA	263,538	-	263,538
Due to OCSA Foundation	1,708	-	1,708
Due to CASA Foundation	256,317	-	256,317
Accrued Interest Payable - Related Parties	224,714	-	224,714
Notes Payable - Related Parties, Current Portion	131,250	-	131,250
Notes Payable, Current Portion	345,008	317,982	662,990
Total Current Liabilities	1,515,732	342,513	1,858,245
LONG-TERM LIABILITIES			
Line of Credit	500,000	-	500,000
Notes Payable - Related Parties	2,207,188	-	2,207,188
Notes Payable, Net of Current Portion and Issuance Costs	1,202,367	6,284,979	7,487,346
Total Long-Term Liabilities	3,909,555	6,284,979	10,194,534
NET ASSETS			
Without Donor Restriction	(474,124)	(483,187)	(957,311)
With Donor Restriction	178,087	-	178,087
Total Net Assets	(296,037)	(483,187)	(779,224)
Total Liabilities and Net Assets	\$ 5,129,250	\$ 6,144,305	\$ 11,273,555

See accompanying Notes to Consolidated Financial Statements.

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	CA School of the Arts - SGV	SMG Arts Property LLC	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTIONS				
State Revenue:				
State Aid	\$ 7,849,952	\$ -	\$ -	\$ 7,849,952
Other State Revenue	2,243,721	-	-	2,243,721
Federal Revenue:				
Grants and Entitlements	455,564	-	-	455,564
Local Revenue:				
In-Lieu Property Tax Revenue	1,144,083	-	-	1,144,083
Duarte Unified School District ADA Contribution	147,772	-	-	147,772
Contributions	2,273,708	-	-	2,273,708
Investment Income	19	-	-	19
Other Revenue	119,264	1,300,000	(1,300,000)	119,264
Net Assets Released from Restrictions	74,677	-	-	74,677
Total Revenues	<u>14,308,760</u>	<u>1,300,000</u>	<u>(1,300,000)</u>	<u>14,308,760</u>
EXPENSES				
Program Services	11,077,638	766,595	(1,170,000)	10,674,233
Management and General	1,792,183	570,354	(130,000)	2,232,537
Fundraising	68,054	-	-	68,054
Total Expenses	<u>12,937,875</u>	<u>1,336,949</u>	<u>(1,300,000)</u>	<u>12,974,824</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
	1,370,885	(36,949)	-	1,333,936
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	178,087	-	-	178,087
Net Assets Released from Restrictions	<u>(74,677)</u>	<u>-</u>	<u>-</u>	<u>(74,677)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
	<u>103,410</u>	<u>-</u>	<u>-</u>	<u>103,410</u>
CHANGE IN TOTAL NET ASSETS				
	1,474,295	(36,949)	-	1,437,346
Net Assets - Beginning of Year	<u>(1,770,332)</u>	<u>(446,238)</u>	<u>-</u>	<u>(2,216,570)</u>
NET ASSETS - END OF YEAR	<u><u>\$ (296,037)</u></u>	<u><u>\$ (483,187)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (779,224)</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	CA School of the Arts - SGV	SMG Arts Property LLC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,474,295	\$ (36,949)	\$ -	\$ 1,437,346
Change in Net Assets				
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	87,611	544,941	-	632,552
Change in Operating Assets:				
Accounts Receivable - Federal and State	(2,619,091)	-	-	(2,619,091)
Accounts Receivable - Other	(250)	-	-	(250)
Prepaid Expenses and Other Assets	(34,946)	-	-	(34,946)
Other Long-Term Assets	(1,102)	-	-	(1,102)
Change in Operating Liabilities:				
Accounts Payable and Accrued Liabilities	82,240	2,279	-	84,519
Due to OCSA	9,185	-	-	9,185
Due to OCSA Foundation	1,248	-	-	1,248
Due to CASA Foundation	39,344	-	-	39,344
Accrued Interest Payable - Related Parties	54,052	-	-	54,052
Net Cash Flows from Operating Activities	<u>(907,414)</u>	<u>510,271</u>	<u>-</u>	<u>(397,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant, and Equipment	(4,651)	-	-	(4,651)
Net Cash Flows from Investing Activities	<u>(4,651)</u>	<u>-</u>	<u>-</u>	<u>(4,651)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Proceeds from/(Payments on) Line of Credit	(50,000)	-	-	(50,000)
Repayments of Notes Payable	(126,560)	(308,000)	-	(434,560)
Net Cash Flows from Financing Activities	<u>(176,560)</u>	<u>(308,000)</u>	<u>-</u>	<u>(484,560)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,088,625)	202,271	-	(886,354)
Cash and Cash Equivalents - Beginning of Year	<u>1,446,760</u>	<u>203,462</u>	<u>-</u>	<u>1,650,222</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 358,135</u>	<u>\$ 405,733</u>	<u>\$ -</u>	<u>\$ 763,868</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest	<u>\$ (54,052)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,052)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
Cash and Cash Equivalents	\$ 158,135	\$ 405,733	\$ -	\$ 563,868
Restricted Cash and Cash Equivalents	200,000	-	-	200,000
Total Cash and Cash Equivalents	<u>\$ 358,135</u>	<u>\$ 405,733</u>	<u>\$ -</u>	<u>\$ 763,868</u>

See accompanying Notes to Consolidated Financial Statements.

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 5,254,073	\$ 546,393	\$ -	\$ 6,432,599
Pension Expense	885,721	42,914	-	928,635
Other Employee Benefits	526,239	58,471	-	584,710
Payroll Taxes	165,020	18,335	-	183,355
Management Fees	-	290,000	-	290,000
Legal Expenses	-	15,051	-	15,051
Accounting Expenses	-	27,551	-	27,551
Instructional Materials	417,286	-	4,648	421,934
Other Fees for Services	324,506	48,056	-	372,562
Advertising and Promotion Expenses	37,358	21,292	-	58,650
Office Expenses	109,072	294,632	5,349	409,053
Information Technology Expenses	172,349	92,638	-	264,987
Occupancy Expenses	1,705,886	459,891	-	2,165,777
Travel Expenses	3,755	-	-	3,755
Interest Expense	221,654	110,195	-	331,849
Depreciation and Amortization Expense	623,791	8,761	-	632,552
Insurance Expense	91,282	10,142	-	101,424
District Services	-	269,821	-	269,821
Special Education Expenses	499,338	-	-	499,338
Other Expenses	806,903	48,394	58,057	281,221
Subtotal	11,844,233	2,362,537	68,054	14,274,824
Eliminations	<u>(1,170,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>(1,300,000)</u>
Total	<u>\$ 10,674,233</u>	<u>\$ 2,232,537</u>	<u>\$ 68,054</u>	<u>\$ 12,974,824</u>

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

California School of the Arts - San Gabriel Valley (the Organization) is a California nonprofit public benefit corporation under the laws of the state of California. The Organization consists of a charter school (the School or CASA-SGV) sponsored by the Duarte Unified School District according to the conditions and requirements of AB 544 and applicable California charter school laws, and SMG Arts Properties, LLC (the School), a limited liability company of which the School is the sole member. SMG Arts Properties, LLC was formed to purchase and manage properties to be rented to the School. The School's student population is students grades 9-12 who have demonstrated talents and interest in the arts. The organization is economically dependent on state and federal funding.

The charter may be revoked by the Duarte 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 consolidated financial statements have been prepared on the accrual method of accounting, and accordingly, reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying consolidated 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 Organization's programs and other activities have been presented in the consolidated 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.

Cash and Cash Equivalents

The Organization 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.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2021. 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 market value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Buildings	35 Years
Furniture, Fixtures, and Furnishings	7 Years
School Equipment	5 to 10 Years

The Organization capitalizes all expenditures for land, buildings, and equipment in excess of \$500.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the Organization 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.

Production Income

Production income revenue is made up of ticket sales made for music and theater events throughout the year. These are reported at the amount that reflects the consideration to which the Organization is paid in exchange for admission per event. These amounts are charged upon a per-event basis as purchased. Revenue is recognized at the point of sale.

Services to Students

Student service revenue is made up of fees for field trips, graduation ceremonies, food services, locker rentals, and other services provided for students. These are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to the students. These amounts are due from students, who are billed upon receipt of the service. Revenue is recognized as the performance obligations are satisfied at a point in time.

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.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the consolidated statement of financial position. As of June 30, 2021, the School has conditional grants of \$590,358.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Organization 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.

Compensated Absences

The Organization does not allow employees to carry over unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2021.

Income Taxes

The Organization 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 Organization is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Organization files an exempt informational return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CASA-SGV and the LLC. All significant intercompany accounts and transactions between these entities have been eliminated in the consolidated financial statements. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization."

Contributed Assets and Services

Contributions of donated noncash assets are recorded at fair value in the period received.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through December 7, 2021, the date these consolidated financial statements were available to be issued.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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 consolidated statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2021:

Cash and Cash Equivalents	\$ 763,868
Accounts Receivable	4,214,068
Less: Restricted Cash	(200,000)
Less: Donor Restricted Net Assets	(178,087)
Total	<u>\$ 4,599,849</u>

As part of its liquidity management plan, the Organization monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Organization structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization also maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Organization 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.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment in the accompanying consolidated financial statements are presented net of accumulated depreciation. Depreciation expense was \$87,611 for the School and \$526,958 for the LLC as of June 30, 2021.

The components of property, plant, and equipment as of June 30, 2021 are as follows:

	California School of the Arts - SGV	SMG Arts Properties, LLC	Total
Buildings and Improvements	\$ 91,558	\$ 6,120,349	\$ 6,211,907
Equipment and Computers	553,735	1,356,311	1,910,046
Total	<u>645,293</u>	<u>7,476,660</u>	<u>8,121,953</u>
Less: Accumulated Depreciation	(213,160)	(1,912,088)	(2,125,248)
Total Property, Plant, and Equipment	<u>\$ 432,133</u>	<u>\$ 5,564,572</u>	<u>\$ 5,996,705</u>

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 LINE OF CREDIT

The Organization has an unsecured line of credit from Pacific Premier Bank for up to \$1,300,000. The line of credit bears a variable interest rate (4.25% as of June 30, 2021 and expires on February 1, 2022). As of June 30, 2021, the School had a total outstanding balance of \$500,000 on this line of credit.

NOTE 6 LONG-TERM DEBT

In May 2017, CASA-SGV obtained a \$250,000 revolving loan from the California School Finance Authority (SCFA). The loan bears an interest rate of 0.95% and matures in 2022. The outstanding balance of this loan at June 30, 2021 was \$50,008.

In December 2017, the LLC refinanced all outstanding Farmers & Merchants Bank debt with a loan from Pacific Premier for \$6,349,888. The note carries an interest rate of 3.15%. Principal and interest payments of \$44,205 are due monthly until maturity in December 2027. This note is reported net of unamortized debt issuance costs of \$192,532. Amortization of debt issuance costs recorded to interest expense for the year ended June 30, 2021 was \$17,983. As of June 30, 2021, the School was in violation of the covenant to maintain a minimum Middle School ADA of 230; however, Pacific Premier Bank waived that particular covenant for the year ended June 30, 2021.

In June 2020, the Organization received a loan from Farmers & Merchants Bank in the amount of \$1,497,367 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing in October 2021 principal and interest payments will be required through the maturity date in June 2025.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM DEBT (CONTINUED)

Future maturities for long term debt are as follows:

<u>Year Ending June 30,</u>	California School of the	SMG Arts Properties, LLC	Total
2022	\$ 345,008	\$ 317,982	\$ 662,990
2023	396,789	328,288	725,077
2024	400,776	338,405	739,181
2025	404,802	347,895	752,697
2026	-	361,235	361,235
Thereafter	-	5,101,688	5,101,688
Total	<u>1,547,375</u>	<u>6,795,493</u>	<u>8,342,868</u>
Debt Issuance Costs	-	(192,532)	(192,532)
Total Debt, Net of Issuance Costs	<u>\$ 1,547,375</u>	<u>\$ 6,602,961</u>	<u>\$ 8,150,336</u>

The Organization has long-term debt obtained from related parties. In December 2017, the Organization obtained a loan from the Legacy Fund for the amount of \$750,000. The loan carries an interest rate of 3.15% and matures on June 30, 2027. Payments of accrued interest begin in June 2022, and payments of principal of \$150,000 annually begin in June 2023.

In October 2019, the Organization obtained a second loan from the Legacy Fund for the amount of \$365,000. The loan carries an interest rate of 3% and matures on June 30, 2027. Payments of principal and accrued interest begin in June 2023.

In June 2017, the Organization obtained a loan from the OCSA Foundation for \$950,000. The loan carries an interest rate of 3.15%. Principal and accrued interest are due upon maturity on July 1, 2022.

In July 2019, the Organization obtained a loan from OCSA for \$350,000. The loan carries an interest rate of 3% and matures in July 2023. Payments principal and accrued interest begin in November 2020.

Future maturities for long term debt from related parties are as follows:

<u>Year Ending June 30,</u>	CSA - San Gabriel Valley
2022	\$ 131,250
2023	1,304,250
2024	233,938
2025	223,000
2026	223,000
Thereafter	223,000
Total	<u>\$ 2,338,438</u>

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 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 Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. 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, 2020 total STRS plan net assets are \$283 billion, the total actuarial present value of accumulated plan benefits is \$705 billion, contributions from all employers totaled \$6.1 billion, and the plan is 67.1% 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 10.21% of their salary. The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2021 was 19.1% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The Organization's contributions to STRS are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 679,286	100%
2020	829,270	100%
2021	842,807	100%

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 EMPLOYEE RETIREMENT (CONTINUED)

Public Employee’s Retirement System (PERS)

Plan Description

The Organization 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 Actuarial Valuation Report for the year ended June 30, 2020, the School Employer Pool total plan assets are \$72 billion, the present value of accumulated plan benefits is \$102 billion, contributions from all employers totaled \$2.9 billion, and the plan is 70% 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 7.0% of their salary. The Organization is required to contribute an actually determined rate. The actuarial methods and assumptions used for determining the rate at those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2021 was 20.7%. The contribution requirements of the plan members are established and may be amended by state statute.

The Organization’s contributions to PERS are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2019	\$ 46,138	100%
2020	85,638	100%
2021	85,828	100%

NOTE 8 OPERATING LEASES

In November 2017, the School entered into a lease agreement for property in the city of Duarte, California, with SMG Arts Properties, LLC. This lease requires monthly payments of \$108,333. Lease expense paid by the School to the LLC for this lease was \$1,300,000, which is eliminated in the consolidated financial statements. Future minimum lease payments are \$1,300,000 in the year ended June 30, 2022.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 COMMITMENTS

In July 2017, the LLC entered into a facility agreement with the Duarte Unified School District (DUSD) for property in the city of Duarte, California. This agreement has a term that coincides with the length of the School's charter agreement. The agreement does not require the LLC to pay a lease amount for the use of the sites, but instead charges the LLC an annual fee of \$1 and requires that the LLC operate a charter school on the premises. Additionally, the agreement requires the LLC to construct improvements and install portable facilities to the property.

NOTE 10 RELATED PARTY TRANSACTIONS

Orange County School of the Arts

Orange County School of the Arts (OCSA) is a California nonprofit public benefit corporation founded as a charter school under the laws of the state of California. OCSA and the Organization have an arrangement for administrative and business office support. As of June 30, 2021, the Organization owes OCSA \$263,538 for expense reimbursements related to this arrangement. The Organization also has a note payable to OCSA as described in Note 6.

Orange County School of the Arts Foundation

The Orange County School of the Arts Foundation (OCSA Foundation) is a nonprofit public benefits corporation organized for the specific purpose to raise funds for the benefit of the OCSA and California School of the Arts network. As of June 30, 2021, the Organization owes OCSA Foundation \$1,708 for expense reimbursements. Additionally, the Organization has a note payable to OCSA Foundation as described in Note 6. Accrued interest for this note as of June 30, 2021 was \$122,192.

California School of the Arts Foundation

The California School of the Arts Foundation (CASA Foundation) is a nonprofit public benefits corporation organized for the specific purpose to raise funds for the benefit of the California School of the Arts network. During the year ended June 30, 2021, CASA Foundation donated a total of \$284,937 to the Organization. As of June 30, 2021, the Organization owes CASA Foundation \$256,317 for expense reimbursements.

The Legacy Fund

The Legacy Fund (the Fund) is a nonprofit public benefits corporation organized for the specific purpose to raise funds for the benefit of the OCSA and California School of the Arts network. The Organization has notes payable to the Fund as described in Note 6. Accrued interest for these notes as of June 30, 2021 was \$102,522.

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2021, net assets with donor restriction consisted of \$178,087 for donations restricted to the subsequent fiscal year.

NOTE 12 CONTINGENCIES, RISKS, AND UNCERTAINTIES

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

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 13 FUNCTIONALIZED EXPENSES

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. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Expenses related to occupancy, interest, and depreciation are allocated on the basis of square footage.

NOTE 14 SUBSEQUENT EVENTS

in August 2021, the principal amount of \$1,497,367, along with accrued interest of \$16,687, was forgiven by the financial institution and U.S. Small Business Administration.

SUPPLEMENTARY INFORMATION

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 YEAR ENDED JUNE 30, 2021**

The California School of the Arts – San Gabriel Valley (the School or CASA-SGV) was established in 2017, when it was granted its charter through the Duarte Unified School District (the District) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter school number is: 1838

The Board of Directors and Administration as of the year ended June 30, 2021 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires
Carol Green	Board President	Indefinite
Karen Herrera	Secretary	Indefinite
John Vaughn	Member	Indefinite
Mary Ulrich	Member	Indefinite
Ron Green	Member	Indefinite
Marcy Ulrich	Member	Indefinite
Genevieve Spinella	Member	Indefinite

ADMINISTRATORS

William Wallace, Ed.D	Principal
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**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2021**

	Traditional Calendar Days	Status
Grade 9	179	In Compliance
Grade 10	179	In Compliance
Grade 11	179	In Compliance
Grade 12	179	In Compliance

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

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

June 30, 2020 Annual Financial Report Fund Balances (Net Assets)	\$ (296,034)
Adjustments and Reclassifications:	
Increase (Decrease) of Fund Balance (Net Assets):	
Accounts Receivable - Federal and State	686
Accounts Receivable - Other	(686)
Property, Plant, and Equipment, Net	(3)
Accounts Payable and Accrued Liabilities	(747,635)
Notes Payable	747,635
Net Adjustments and Reclassifications	(3)
June 30, 2020 Audited Financial Statement Fund Balances (Net Assets)	\$ (296,037)

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

CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

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

NOTE 2 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 consolidated financial statements.



**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
California School of the Arts - San Gabriel Valley
Duarte, 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 consolidated financial statements of California School of the Arts - San Gabriel Valley (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

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

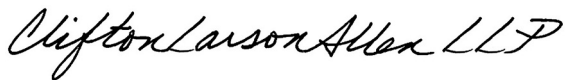
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

Glendora, California
December 7, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
California School of the Arts - San Gabriel Valley
Duarte, California

We have audited California School of the Arts - San Gabriel Valley's (the School) compliance with the types of compliance requirements described in the *2020-2021 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, 2021. The School'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 School'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 *2020-2021 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 School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies:	
Attendance and Distance Learning	Yes
Instructional Time	Yes
School Districts, County Office of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes



<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instructional/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2021.

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 *2020-2021 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 7, 2021

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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

There were no findings and questions costs related to the basic financial statements or state awards for the year ended June 30, 2021.

**CALIFORNIA SCHOOL OF THE ARTS - SAN GABRIEL VALLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

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

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See nexia.com/member-firm-disclaimer for details. **CliftonLarsonAllen LLP**

