



CRETE ACADEMY

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

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

Crete Academy (Charter No. 1854)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crete Academy
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Crete Academy (the "Charter") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 15, 2021

CRETE ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$	302,408
Accounts receivable		654,855
Prepaid expenses		<u>21,860</u>
Total current assets		<u>979,123</u>

Capital assets

Property and equipment		172,029
Less accumulated depreciation		<u>(120,228)</u>
Capital assets, net		<u>51,801</u>
Total Assets	\$	<u>1,030,924</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	116,444
Deferred revenue		61,436
Loans payable		<u>96,223</u>
Total liabilities		<u>274,103</u>

Net assets

Without donor restrictions		<u>756,821</u>
Total net assets		<u>756,821</u>
Total Liabilities and Net Assets	\$	<u>1,030,924</u>

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

**CRETE ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 1,397,855	\$ -	\$ 1,397,855
Federal revenues	417,092	-	417,092
Other state revenues	241,966	-	241,966
Total federal and state support and revenues	<u>2,056,913</u>	<u>-</u>	<u>2,056,913</u>
Local support and revenues			
Payments in lieu of property taxes	481,431	-	481,431
Grants and donations	128,500	-	128,500
Other local revenues	19,254	-	19,254
Total local support and revenues	<u>629,185</u>	<u>-</u>	<u>629,185</u>
Donor restrictions satisfied	35,975	(35,975)	-
Total Support and Revenues	<u>2,722,073</u>	<u>(35,975)</u>	<u>2,686,098</u>
EXPENSES			
Program services	1,923,209	-	1,923,209
Supporting services			
Management and general	193,109	-	193,109
Fundraising	122	-	122
Total Expenses	<u>2,116,440</u>	<u>-</u>	<u>2,116,440</u>
CHANGE IN NET ASSETS	605,633	(35,975)	569,658
Net Assets - Beginning	<u>151,188</u>	<u>35,975</u>	<u>187,163</u>
Net Assets - Ending	<u>\$ 756,821</u>	<u>\$ -</u>	<u>\$ 756,821</u>

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

**CRETE ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 711,735	\$ 28,171	\$ -	\$ 739,906
Non-certificated salaries	235,025	47,373	-	282,398
Payroll taxes	84,844	5,174	-	90,018
Other employee benefits	111,762	7,640	-	119,402
Total personnel expenses	<u>1,143,366</u>	<u>88,358</u>	<u>-</u>	<u>1,231,724</u>
Non-personnel expenses				
Books and supplies	158,945	6,638	-	165,583
Insurance	22,129	1,766	-	23,895
Facilities	204,634	5,969	-	210,603
Professional services	221,566	53,023	122	274,711
Interest expense	-	5,384	-	5,384
Depreciation	-	29,479	-	29,479
Fees to authorizing agency	121,832	1,163	-	122,995
Other operating expenses	50,737	1,329	-	52,066
Total non-personnel expenses	<u>779,843</u>	<u>104,751</u>	<u>122</u>	<u>884,716</u>
Total Expenses	<u>\$ 1,923,209</u>	<u>\$ 193,109</u>	<u>\$ 122</u>	<u>\$ 2,116,440</u>

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

CRETE ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 569,658
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	29,479
(Increase) decrease in operating assets	
Accounts receivable	(446,993)
Prepaid expenses	(13,297)
Increase (decrease) in operating liabilities	
Accounts payable	7,656
Deferred revenue	61,436
Net cash provided by (used in) operating activities	<u>207,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(3,864)</u>
Net cash provided by (used in) investing activities	<u>(3,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Draws or proceeds from loans payable	9,935
Principal payments on loans payable	<u>(81,977)</u>
Net cash provided by (used in) financing activities	<u>(72,042)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	132,033
Cash and cash equivalents - Beginning	<u>170,375</u>
Cash and cash equivalents - Ending	<u>\$ 302,408</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 5,384</u>

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

**CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Crete Academy (the “Charter”) was formed as a nonprofit public benefit corporation on April 28, 2016 for the purpose of operating as a California public school located in Los Angeles, California. The Charter was numbered by the State Board of Education in March 2017 as California Charter No. 1854. Crete Academy’s mission is to deliver an educational program to students who are homeless, living in poverty, that will meet their physical, mental and emotional needs, while developing strong character and critical thinking skills so that each child is prepared for college and beyond. Classes began in August 2017 for students in grades transitional kindergarten through sixth.

Crete Academy is authorized to operate as a charter school through the Los Angeles Unified School District (the “authorizing agency” or “LAUSD”). On November 15, 2016, the Board of Directors of LAUSD approved a charter petition for the Charter for a five-year term beginning July 1, 2017 and expiring on June 30, 2022. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

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

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Crete Academy is required to report information regarding its financial position and activities according to two classes of net assets:

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

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

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

D. Estimates

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Functional Expenses

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

F. Contributions

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

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

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

G. In Lieu of Property Taxes Revenue

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

H. Cash and Cash Equivalents

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

I. Investments

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2021, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Crete Academy has adopted a policy to capitalize asset purchases over \$2,500. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

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

M. Income Taxes

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

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

N. Fair Value Measurements

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

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

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2021, consists of \$302,408 held in non-interest bearing bank accounts.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Crete Academy does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2021, \$52,408 of Crete Academy’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts at one or more banks.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021, consists of the following:

Local control funding sources, state aid	\$	472,344
Federal sources		70,871
Other state sources		92,954
In lieu property tax payments		14,998
Other local sources		3,688
Total Accounts Receivable	\$	654,855

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2021 consists of the following:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Property and equipment				
Leasehold improvements	\$ 39,991	\$ -	\$ -	\$ 39,991
Furniture and fixtures	28,556	3,864	-	32,420
Computer equipment	15,370	-	-	15,370
Transportation equipment	84,248	-	-	84,248
Total property and equipment	168,165	3,864	-	172,029
Less accumulated depreciation	(90,749)	(29,479)	-	(120,228)
Capital Assets, net	\$ 77,416	\$ (25,615)	\$ -	\$ 51,801

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2021, consists of the following:

Salaries and benefits	\$	37,822
Deferred summer compensation		23,242
Due to authorizing agency		500
Credit card liability		31,739
Vendor payables		23,141
Total Accounts Payable	\$	116,444

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2021, consists of \$61,436 from state funding sources.

NOTE 7 – LOANS PAYABLE

A summary of activity related to loans payable during the year ended June 30, 2021 consists of the following:

	Balance July 1, 2020	Draws	Payments	Balance June 30, 2021
Charter revolving loan	\$ 100,006	\$ -	\$ 49,998	\$ 50,008
Line of credit	20,753	9,935	16,287	14,401
Shuttle loan #1	24,102	-	7,837	16,265
Shuttle loan #2	23,404	-	7,855	15,549
Total Loans Payable	\$ 168,265	\$ 9,935	\$ 81,977	\$ 96,223

Charter Revolving Loan

On June 16, 2017, the Charter was approved to borrow \$250,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The loan is to be repaid over a five-year period ending March 2022. The revolving note bears an annualized interest rate equal to the “prime rate” of 0.98%. During the fiscal year ended June 30, 2021, the Charter made payments of \$51,308, which included \$49,998 of principal and \$1,310 of interest expense. As of June 30, 2021, the outstanding balance on the loan was \$50,008. Repayment obligations on the charter revolving loan includes total payments of \$50,346 for the fiscal year ending June 30, 2022, which includes \$50,008 in principal and \$338 in interest.

Line of Credit

In June 2019, the Charter was approved for a line of credit of \$75,000 with Wells Fargo financial institution. During the fiscal year ended June 30, 2021, the Charter had \$9,935 in draws and made payments of \$16,287. As of June 30, 2021, the liability associated with the line of credit was \$14,401.

Shuttle Loans #1 and #2

In September 2017, the Charter entered into two separate loan agreements for the purchase of two (2) shuttle vans. The shuttle vans are utilized for student transportation. The corresponding assets are recorded within capital assets as transportation equipment. Shuttle #1 was purchased for \$42,746 and the cost of shuttle #2 was \$41,505. Loans for shuttle #1 and shuttle #2 include an annual interest rate of 4.86% for six-year terms with minimum monthly payments of \$685.60 and \$665.74, respectively.

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 7 – LOANS PAYABLE (continued)

Shuttle Loans #1 and #2 (continued)

Future repayment obligations on the shuttle loans are as follows:

Fiscal Year Ending June 30,	Shuttle #1	Shuttle #2	Total
2022	\$ 8,227	\$ 7,989	\$ 16,216
2023	8,227	7,989	16,216
2024	1,371	1,331	2,702
Total minimum lease payments	17,825	17,309	35,134
Less: Interest	(1,560)	(1,760)	(3,320)
Total	\$ 16,265	\$ 15,549	\$ 31,814

NOTE 8 – NET ASSETS

As of June 30, 2021, the Charter did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2021, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 19,987
Required cash reserve (LAUSD 5% of expenses)	105,822
Undesignated	631,012
Total Net Assets without Donor Restrictions	\$ 756,821

In accordance with Crete Academy’s charter petition with the Los Angeles Unified School District, the Charter is required to maintain cash reserves equal to five percent of total expenditures.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others, or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. Crete Academy maintains a line of credit (as mentioned in Note 7) which has been drawn upon to ensure financial assets are available as general expenditures and other obligations become due.

Financial Assets	
Cash and cash equivalents	\$ 302,408
Accounts receivable, current portion	654,855
Prepaid expenses	21,860
Total Financial Assets, excluding noncurrent	<u>\$ 979,123</u>
Contractual or donor-imposed restrictions	
Required cash reserve	<u>(105,822)</u>
Financial Assets available to meet cash needs for expenditures within one year	\$ 873,301

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 10 – EMPLOYEE RETIREMENT PLANS

In accordance with *California Education Code 47605*, charter schools have the option of participating in certain multiple-employer defined benefit pension plans maintained by agencies of the State of California if an election to participate is specified within the charter petition. Within the current charter petition, the Charter has not made the election and therefore, does not participate in the California State Teachers’ Retirement System (CalSTRS) or the California Public Employees’ Retirement System (CalPERS) pension programs. The Charter retains the option to elect to participate in CalSTRS at a future date.

As established by federal law, all public-sector employees must be covered by social security or an alternative plan if an existing employer retirement plan such as CalSTRS and CalPERS is not available. The Charter offers both social security and a 403(b) employee funded plan. All employees are covered by Medicare and social security and all full-time employees are eligible to participate in the 403(b) plan. A participant of the 403(b) plan may make an election to defer compensation and have it contributed to this plan. During the fiscal year ended June 30, 2021, the Charter made payments totaling \$76,438 for Medicare and social security and paid \$14,972 toward other employee benefits.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Crete Academy is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

Governmental Funds

Crete 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Joint Powers Agency (JPA)

During the year ended June 30, 2021, Crete Academy participated in a joint venture with CharterSafe. CharterSafe arranges for insurance coverage related to property, general liability, automobile, worker’s compensation, and other miscellaneous liability coverage specific to the operation of a charter school. The relationship between the Charter and the JPA is such that the JPA is not financially inter-related to the Charter for financial reporting purposes. Premiums totaled \$36,932 for the year ended June 30, 2021.

Operating Lease

On July 12, 2018 Crete Academy entered into a lease agreement to occupy space located at 6103 Crenshaw Boulevard in Los Angeles, California. The facility is utilized by the Charter for instructional services in order to meet the educational goals established by the Charter. The two-year term covered by the lease agreement commenced on August 1, 2018 and will end July 31, 2020. The agreement calls for base rent of \$13,000 per month. In May 2020, the Charter entered into a lease amendment to extend the term for two years commencing August 1, 2020 and ending July 31, 2022 with base rent of \$13,250 per month for Year 1 and \$13,500 per month for Year 2. During the fiscal year ended June 30, 2021, rent payments attributed to this facility lease agreement amounted to \$158,750. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2022	\$ 161,750
2023	13,500
Total	<u>\$ 175,250</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, LAUSD, to provide required services for special education and other purchased services in addition to fees for oversight. Total fees for oversight amounted to \$15,735 and total payments for special education and other services amounted to \$107,260 for the fiscal year ending June 30, 2021.

Interested Parties

The Executive Director and Founder, Hattie Arrington Mitchell, is married to the Principal and Co-Founder, Brett Mitchell.

NOTE 13 – DONATED GOODS AND SERVICES

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

NOTE 14 – SUBSEQUENT EVENTS

Crete Academy has evaluated subsequent events for the period from June 30, 2021 through December 15, 2021, the date the financial statements were available to be issued.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the new term expiration date to the charter petition mentioned in Note 1A is June 30, 2024.

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

SUPPLEMENTARY INFORMATION

CRETE ACADEMY
LEA ORGANIZATION STRUCTURE
JUNE 30, 2021

Crete Academy, located in Los Angeles, California, was formed as a nonprofit public benefit corporation on April 28, 2016 and numbered by the State Board of Education in March 2017 as Charter No. 1854. The Charter is authorized by the Los Angeles Unified School District. Classes began in August 2017 for grades TK through 6. During 2020-21, the Charter served approximately 155 students in grades TK to 6.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Sergio G. Martus, MPP, MBA and JD	President	April 2021
Ursula Worsham, M.S and Ed.D	Secretary	November 2020
Lynnzi Brianza	Member	March 2021
Carson Bruno	Member	September 2020
Dennis Johnson, Ed.D	Member	August 2020
Archana Patel	Member	September 2020

ADMINISTRATION

Hattie Mitchell
Executive Director

Brett Mitchell
Principal

**CRETE ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Grade Span</u>	2020-21 Number of Days	<u>Status</u>
Kindergarten*	178	Complied
Grades 1 through 3	178	Complied
Grades 4 through 6	178	Complied

*Includes Transitional Kindergarten (TK)

**CRETE ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021**

There were no adjustments to reconcile net position reported in the Charter Schools Enterprise Fund on the Annual Financial and Budget Report (Unaudited Actuals) to net assets per the audited financial statements for the year ended June 30, 2021.

**CRETE ACADEMY
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the Crete Academy and whether the Charter complied with the provisions of *Education Code Section 47612*.

C. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position for the Charter Schools Enterprise Fund reported on the Annual and Financial Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

To the Board of Directors of
Crete Academy
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Crete Academy (the "Charter") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 15, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Directors of
Crete Academy
Los Angeles, California

Report on State Compliance

We have audited Crete Academy's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Crete Academy's state programs for the fiscal year ended June 30, 2021, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Crete Academy's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Crete 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 with the requirements referred to above. However, our audit does not provide a legal determination of Crete Academy's compliance with those requirements.

Opinion on State Compliance

In our opinion, Crete Academy complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table below for the year ended June 30, 2021.

Procedures Performed

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

Description	Procedures Performed
Local Education Agencies	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Instructional Time	Yes
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
K-3 Grade Span Adjustment	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable*
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study – Course Based	Not applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Charter School Facility Grant Program	Yes

*Crete Academy began classes in August 2017; therefore, the Charter was not eligible to receive California Clean Energy Jobs Act funding.

Christy White, Inc.

San Diego, California
December 15, 2021

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**CRETE ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

Financial Statements

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

Federal Awards

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

State Awards

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

**CRETE ACADEMY
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings related to the financial statements during 2020-21.

**CRETE ACADEMY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

There were no audit findings and questioned costs related to state awards during 2020-21.

**CRETE ACADEMY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no audit findings reported in the 2019-20 fiscal year.