



CRETE ACADEMY

AUDIT REPORT

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

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

Crete Academy (Charter No. 1854)

CRETE ACADEMY
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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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California
December 16, 2020

CRETE ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets

Cash and cash equivalents	\$ 170,375
Accounts receivable	207,862
Prepaid expenses	8,563
Total current assets	<u>386,800</u>

Capital assets

Property and equipment	168,165
Less accumulated depreciation	<u>(90,749)</u>
Capital assets, net	77,416
Total Assets	<u>\$ 464,216</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 108,788
Loans payable	<u>168,265</u>
Total liabilities	<u>277,053</u>

Net assets

Without donor restrictions	151,188
With donor restrictions	<u>35,975</u>
Total net assets	187,163
Total Liabilities and Net Assets	<u>\$ 464,216</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 1,342,501	\$ -	\$ 1,342,501
Federal revenues	172,158	-	172,158
Other state revenues	134,938	-	134,938
Total federal and state support and revenues	1,649,597	-	1,649,597
Local support and revenues			
Payments in lieu of property taxes	508,513	-	508,513
Grants and donations	115,748	25,000	140,748
Other local revenues	28,061	-	28,061
Total local support and revenues	652,322	25,000	677,322
Total Support and Revenues	2,301,919	25,000	2,326,919
EXPENSES			
Program services	1,634,951	-	1,634,951
Management and general	527,251	-	527,251
Total Expenses	2,162,202	-	2,162,202
CHANGE IN NET ASSETS	139,717	25,000	164,717
Net Assets - Beginning	11,471	10,975	22,446
Net Assets - Ending	\$ 151,188	\$ 35,975	\$ 187,163

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, 2020

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 736,274	\$ 58,721	\$ 794,995
Non-certificated salaries	323,824	-	323,824
Payroll taxes	92,229	12,803	105,032
Other employee benefits	88,775	5,240	94,015
Total personnel expenses	1,241,102	76,764	1,317,866
Non-personnel expenses			
Books and supplies	159,993	12,582	172,575
Insurance	-	23,992	23,992
Facilities	16,906	225,866	242,772
Professional services	51,995	132,548	184,543
Interest expense	3,202	16,441	19,643
Depreciation	34,050	-	34,050
Payments to authorizing agency	122,385	-	122,385
Other operating expenses	5,318	39,058	44,376
Total non-personnel expenses	393,849	450,487	844,336
Total Expenses	\$ 1,634,951	\$ 527,251	\$ 2,162,202

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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 164,717
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	34,050
(Increase) decrease in operating assets	
Accounts receivable	116,115
Prepaid expenses	(8,563)
Increase (decrease) in operating liabilities	
Accounts payable	(90,024)
Net cash provided by (used in) operating activities	<u>216,295</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Draws on loans payable	16,967
Principal payments on loans payable	(133,594)
Net cash provided by (used in) financing activities	<u>(116,627)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 99,668

Cash and cash equivalents - Beginning 70,707

Cash and cash equivalents - Ending \$ 170,375

SUPPLEMENTAL DISCLOSURE

Cash paid for interest	<u>\$ 19,643</u>
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The notes to the financial statements are an integral part of this statement.

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 approved 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 and net assets with donor restrictions.

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

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

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

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

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

E. Functional Expenses

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

F. Contributions

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

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

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

G. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes 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, 2020, 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). 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, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

O. New Accounting Pronouncements

Revenue Recognition

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

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and was originally effective for public business entities for fiscal years beginning after December 15, 2018. In October 2019, FASB approved to delay effective dates for all public business entities, except for SEC filers, to fiscal years beginning after December 15, 2019. The Charter will determine the impact on the financial statements once implemented for the fiscal year ending June 30, 2021. In April 2020, FASB voted to delay implementation by one year as a result of COVID-19. The Charter will determine the impact on the financial statements once implemented.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020, consist of \$160,350 held in non-interest bearing bank accounts and cash awaiting deposit of \$10,025.

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, 2020, Crete Academy's bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank.

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 3 – ACCOUNTS RECEIVABLE

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

Local control funding sources, state aid	\$	75,534
Federal sources		30,212
Other state sources		42,576
In lieu of property taxes		58,750
Other local sources		790
Total Accounts Receivable, net	\$	<u>207,862</u>

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2020
Property and equipment				
Leasehold improvements	\$ 39,991	\$ -	\$ -	\$ 39,991
Furniture and fixtures	28,556	-	-	28,556
Computer equipment	15,370	-	-	15,370
Transportation equipment	84,248	-	-	84,248
Total property and equipment	168,165	-	-	168,165
Less accumulated depreciation	(56,699)	(34,050)	-	(90,749)
Capital Assets, net	\$ 111,466	\$ (34,050)	\$ -	\$ 77,416

NOTE 5 – ACCOUNTS PAYABLE

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

Due to authorizing agency	\$	13,668
Deferred summer compensation		31,602
Salaries and benefits		42,178
Credit card liability		10,622
Vendor payables		10,718
Total Accounts Payable	\$	<u>108,788</u>

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 6 – LOANS PAYABLE

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

	Balance July 1, 2019	Draws	Payments	Balance June 30, 2020
Charter revolving loan	\$ 150,004	\$ -	\$ 49,998	\$ 100,006
Shuttle loan #1	30,975	-	6,873	24,102
Shuttle loan #2	30,078	-	6,674	23,404
Line of credit	73,835	16,967	70,049	20,753
Total Loans Payable	\$ 284,892	\$ 16,967	\$ 133,594	\$ 168,265

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, 2020, the Charter made payments of \$51,308, which included \$49,998 of principal and \$1,310 of interest expense. As of June 30, 2020, the outstanding balance on the loan was \$100,006. Repayment obligations on the charter revolving loan are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payment</u>
2021	\$ 50,000
2022	50,006
Total	\$ 100,006

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. Future repayment obligations on the shuttle loans are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Shuttle #1</u>	<u>Shuttle #2</u>	<u>Total</u>
2021	\$ 8,227	\$ 7,989	\$ 16,216
2022	8,227	7,989	16,216
2023	8,227	7,989	16,216
2024	1,371	1,331	2,702
Minimum Lease Payments	26,052	25,298	51,350
Less: Interest	(1,950)	(1,894)	(3,844)
Total	\$ 24,102	\$ 23,404	\$ 47,506

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, 2020, the Charter had \$16,967 in draws and made payments of \$70,049. As of June 30, 2020, the liability associated with the line of credit was \$20,753.

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 7 – NET ASSETS

As of June 30, 2020, the Charter’s net assets with and without donor restrictions consisted of the following:

Restricted state funding sources	
Classified employee professional development	\$ 975
Restricted by local donor sources	
Enterprise community partner grant	10,000
Library improvement	25,000
Total Net Assets with Donor Restrictions	\$ 35,975
Net investment in capital assets	\$ 29,910
Required cash reserve (LAUSD 5% of expenses)	108,110
Undesignated	13,168
Total Net Assets without Donor Restrictions	\$ 151,188

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 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. Crete Academy maintains a line of credit (as mentioned in Note 6) 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	\$ 170,375
Accounts receivable, current portion	207,862
Prepaid expenses	8,563
Total Financial Assets, excluding noncurrent	<u>386,800</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(35,975)
Required cash reserve	<u>(107,460)</u>
Financial Assets available to meet cash needs for expenditures within one year	\$ 243,365

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 9 – 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, 2020, the Charter made payments totaling \$84,297 for Medicare and social security and paid \$14,583 toward other employee benefits.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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, 2020, 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 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 paid to Charter Safe totaled \$37,693 for the year ended June 30, 2020.

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, 2020, rent expense attributed to this facility lease agreement amounted to \$156,000. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2021	\$ 158,750
2022	161,750
2023	13,500
Total	<u>\$ 334,000</u>

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 11 – 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. Fees associated with oversight consisted of one percent of revenue from local control funding formula sources. Total fees for oversight amounted to \$18,643 and total payments for special education and other services amounted to \$103,742 for the fiscal year ending June 30, 2020.

Interested Parties

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

NOTE 12 – DONATED MATERIALS AND SERVICES

Donated Facilities

For the month of April, the Charter received donated facility usage in the amount of \$13,000. These services have been recorded in the Charter's financial statements as a noncash contribution and offset to rent expense.

Use of Volunteers

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 13 – SUBSEQUENT EVENTS

Crete Academy has evaluated subsequent events for the period from June 30, 2020 through November 10, 2020, the date the financial statements were available to be issued. As a result of the coronavirus (COVID-19) outbreak, economic uncertainties have arisen which have modified and delayed governmental funding as well as impacted how the Charter operates its programs and activities for the future reporting periods.

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

SUPPLEMENTARY INFORMATION

CRETE ACADEMY
CHARTER ORGANIZATIONAL STRUCTURE
JUNE 30, 2020

Crete Academy, located in Los Angeles, California, was formed as a nonprofit public benefit corporation on April 28, 2016 and approved by the State Board of Education in March 2017. The Charter was authorized to operate as a charter school by the Los Angeles Unified School District. Classes began in August 2017 for grades TK through 6. During 2019-20, the Charter served approximately 200 students in grades TK to 6. Crete Academy's charter number is 1854.

BOARD OF DIRECTORS

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

ADMINISTRATION

Hattie Mitchell
Executive Director

Brett Mitchell
Chief Operations Officer

**CRETE ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2020**

	Second Period Report	Annual Report
<i>Certificate No.</i>	<i>3FE6F46C</i>	<i>B803FA47</i>
	<hr/> Classroom-Based <hr/>	
Grade Span		
Kindergarten* through third	109.23	109.23
Fourth through sixth	62.17	62.17
Total Average Daily Attendance - Classroom-Based	<hr/> 171.40 <hr/>	<hr/> 171.40 <hr/>

*Includes Transitional Kindergarten (TK)

**CRETE ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

Grade Span	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed Due to COVID-19	Number of Days Certified Closed Due to COVID-19*	Status
Kindergarten**	36,000	67,770	180	46,710	124	21,060	56	Complied
Grades 1 through 3	50,400	65,070	180	44,570	124	20,500	56	Complied
Grades 4 through 6	54,000	65,070	180	44,570	124	20,500	56	Complied

*On June 25, 2020, the Charter certified that its school was closed from March 16, 2020 to June 12, 2020 for a total of 56 instructional days closed due to COVID-19.

**Includes Transitional Kindergarten (TK)

CRETE ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

June 30, 2020, net position in Charter School Enterprise Fund per Annual and Financial Budget Report (Unaudited Actuals)	<u>\$ 167,138</u>
Adjustments:	
Increase (decrease) in total net assets:	
Record local donations for cash awaiting deposit	10,025
Reclass EIDL advance grant from loan to federal revenue	<u>10,000</u>
Net adjustments	<u>20,025</u>
June 30, 2020, net assets per audited financial statements	<u>\$ 187,163</u>

**CRETE ACADEMY
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

A. Charter Organizational Structure

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

D. 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, 2020, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis 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.

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

San Diego, California
December 16, 2020

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about 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, 2020.

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 items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable*
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

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



San Diego, California
December 16, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CRETE ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

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

**CRETE ACADEMY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

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

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

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