



CRETE ACADEMY

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

**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**Opinion**

We have audited the accompanying financial statements of Crete Academy which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crete Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1N to the financial statements, in 2022-23 Crete Academy adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crete Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crete Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crete Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 February 15, 2024, on our consideration of Crete Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crete Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crete Academy's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
February 15, 2024

CRETE ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 955,542
Accounts receivable	631,228
Prepaid expenses	50,257
Total current assets	<u>1,637,027</u>

Noncurrent assets	
Right-of-use asset	610,268
Capital assets, net	45,203
Total noncurrent assets	<u>655,471</u>
Total Assets	<u>\$ 2,292,498</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 482,635
Operating lease liability	604,623
Deferred revenue	860,552
Loans payable	31,220
Total liabilities	<u>1,979,030</u>

Net assets	
Without donor restrictions	313,468
Total net assets	<u>313,468</u>
Total Liabilities and Net Assets	<u>\$ 2,292,498</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, 2023**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 2,954,634
Federal revenues	422,877
Other state revenues	747,029
Total federal and state support and revenues	<u>4,124,540</u>
Local support and revenues	
Payments in lieu of property taxes	1,019,177
Grants and donations	180,500
Investment income, net	2,339
Other local revenues	54,630
Total local support and revenues	<u>1,256,646</u>
Total Support and Revenues	<u>5,381,186</u>
EXPENSES	
Program services	5,704,296
Management and general	597,139
Total Expenses	<u>6,301,435</u>
CHANGE IN NET ASSETS	(920,249)
Net Assets - Beginning	<u>1,233,717</u>
Net Assets - Ending	<u>\$ 313,468</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, 2023

EXPENSES	Program Services	Management and General	Total
Personnel expenses			
Certificated salaries	\$ 1,692,130	\$ 168,376	\$ 1,860,506
Non-certificated salaries	732,611	110,003	842,614
Payroll taxes	194,696	22,352	217,048
Other employee benefits	208,645	21,315	229,960
Total personnel expenses	<u>2,828,082</u>	<u>322,046</u>	<u>3,150,128</u>
Non-personnel expenses			
Books and supplies	678,456	19,476	697,932
Insurance	41,386	4,751	46,137
Facilities	626,539	71,030	697,569
Professional services	1,289,439	130,414	1,419,853
Depreciation	-	10,655	10,655
Fees to authorizing agency	229,683	4,087	233,770
Other operating expenses	10,711	34,680	45,391
Total non-personnel expenses	<u>2,876,214</u>	<u>275,093</u>	<u>3,151,307</u>
Total Expenses	<u>\$ 5,704,296</u>	<u>\$ 597,139</u>	<u>\$ 6,301,435</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (920,249)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	10,655
Lease expense - amortization of right-of-use asset	(5,645)
(Increase) decrease in operating assets	
Accounts receivable	60,204
Prepaid expenses	(17,912)
Security deposits	2,000
Increase (decrease) in operating liabilities	
Accounts payable	386,324
Deferred revenue	568,495
Net cash provided by (used in) operating activities	<u>83,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(33,536)</u>
Net cash provided by (used in) investing activities	<u>(33,536)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net activity on line of credit	<u>10,080</u>
Net cash provided by (used in) financing activities	<u>10,080</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,416
Cash and cash equivalents - Beginning	<u>895,126</u>
Cash and cash equivalents - Ending	<u>\$ 955,542</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

**CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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. Due to AB 130 and SB 114, the current charter petition end date is extended to June 30, 2025. 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, Crete Academy 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 Tax 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 Investments

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

I. 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, 2023, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. 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.

L. 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.

M. 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.

N. Change in Accounting Principle

ASC 842 Leases

In February 2016, FASB issued ASU No. 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.

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Change in Accounting Principle (continued)

ASC 842 Leases (continued)

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Charter has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. Refer to Note 6 for additional information regarding the operating leases and the related right-of-use asset and operating lease liability held by the Charter.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2023, consists of the following:

Cash in banks, interest bearing	\$ 553,453
Cash in banks, non-interest bearing	402,089
Total Cash and Cash Equivalents	<u>\$ 955,542</u>

Cash in Banks

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, 2023, \$923,041 of Crete Academy’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts at City National Bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consists of the following:

Local control funding sources, state aid	\$ 358,732
Federal sources	53,418
Other state sources	151,811
In lieu property tax payments	64,145
Other local sources	3,122
Total Accounts Receivable	<u>\$ 631,228</u>

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2023 consists of the following:

	July 1, 2022	Additions	Disposals	June 30, 2023
Property and equipment				
Leasehold improvements	\$ 39,991	\$ 15,487	\$ -	\$ 55,478
Furniture and fixtures	32,420	13,414	-	45,834
Computer equipment	15,370	4,635	-	20,005
Transportation equipment	84,248	-	-	84,248
Total property and equipment	172,029	33,536	-	205,565
Less accumulated depreciation	(149,707)	(10,655)	-	(160,362)
Capital Assets, net	\$ 22,322	\$ 22,881	\$ -	\$ 45,203

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2023, consists of the following:

Salaries and benefits	\$ 281,230
Vendor payables	137,564
Due to grantor government	63,841
Total Accounts Payable	\$ 482,635

NOTE 6 – OPERATING LEASES

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 Charter has entered into lease amendments to extend the term of the lease. The lease is currently expected to end on July 31, 2026. The Charter also holds lease agreements for use of equipment with terms ending in July and August 2027. At June 30, 2023, the right-of-use asset was \$610,268 and the operating lease liability was \$604,623. The associated asset and liability are amortized over the straight-line basis over the term of the lease as follows:

Fiscal Year Ending June 30,	Operating Lease Liability	Right-of-Use Asset
2024	\$ 186,215	\$ 192,571
2025	194,466	192,571
2026	203,879	192,571
2027	22,754	21,746
2028	767	767
Prepaid rent	-	13,500
Subtotal	608,081	613,726
NPV adjustment	(3,458)	(3,458)
Total	\$ 604,623	\$ 610,268

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of June 30, 2023, consists of conditional contributions from the following:

Federal sources	\$ 1,408
State sources	784,144
Local sources	75,000
Total Deferred Revenue	\$ 860,552

NOTE 8 – LOANS PAYABLE

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, 2023, the Charter had a net increase in the balance of \$10,080. As of June 30, 2023, the liability associated with the line of credit was \$31,220.

NOTE 9 – NET ASSETS

As of June 30, 2023, 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, 2023, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 45,203
Undesignated	268,265
Total Net Assets without Donor Restrictions	\$ 313,468

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 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2023, 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 8) 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	\$ 955,542
Accounts receivable	631,228
Prepaid expenses	50,257
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	(860,552)
Financial Assets available to meet cash needs for expenditures within one year	\$ 776,475

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – 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.

NOTE 12 – 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.

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 charter petition end date was extended to June 30, 2024. Refer to Note 15 regarding an additional one-year extension.

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 \$39,682 and total payments for special education and other services amounted to \$194,088 for the fiscal year ending June 30, 2023.

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.

Pending or Threatened Litigation

The Charter could become involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2023.

NOTE 13 – INTERESTED PARTIES

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

The Charter banks with City National Bank and board member, Bryan Gonzalez, was the AVP Relations Manager for City National Bank until October 2023.

CRETE ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 14 – 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. The Charter did not receive any donated items during the fiscal year ended June 30, 2023.

NOTE 15 – SUBSEQUENT EVENTS

Crete Academy has evaluated subsequent events for the period from June 30, 2023 through February 15, 2024 the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add “all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year.” As a result, the charter petition end date is extended to June 30, 2025.

Management did not identify any 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, 2023

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 2022-23, the Charter served approximately 330 students in grades TK to 6.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Joss Tillard Gates	Interim Board President	February 2024
Ursula Worsham, Ed.D.	Secretary	January 2024
Lataysia Starks	Member	August 2023
Dr. Reginald Austin	Member	August 2023
Bryan Gonzalez	Member	August 2023
Marina Samson, JD	Member	February 2024
Yusef Alexander	Member	February 2024

ADMINISTRATION

Hattie Mitchell
Executive Director

Brett Mitchell
Chief Business Officer

**CRETE ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Second Period Report After Audit Finding Adjustments**	Annual Report	Annual Report After Audit Finding Adjustments**
Classroom-Based				
Grade Span				
Regular				
Kindergarten* through third	160.41	176.36	174.81	179.27
Fourth through sixth	117.15	117.83	119.87	119.07
Total Average Daily Attendance - Classroom-Based	277.56	294.19	294.68	298.34
Nonclassroom-Based				
Grade Span				
Regular				
Kindergarten* through third	9.42	-	-	-
Fourth through sixth	3.58	-	-	-
Total Average Daily Attendance - Nonclassroom-Based	13.00	-	-	-
Total Average Daily Attendance	290.56	294.19	294.68	298.34

*Includes Transitional Kindergarten (TK)

**Refer to Finding 2023-002 regarding attendance reporting.

**CRETE ACADEMY
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2023**

Grade Level	Minutes Requirement	2022-23 Instructional Minutes	2022-23 Number of Days	Status
Kindergarten*	36,000	47,250	175	Complied
Grade 1	50,400	57,750	175	Complied
Grade 2	50,400	57,750	175	Complied
Grade 3	50,400	57,750	175	Complied
Grade 4	54,000	63,000	175	Complied
Grade 5	54,000	63,000	175	Complied
Grade 6	54,000	63,000	175	Complied

*Includes Transitional Kindergarten (TK)

CRETE ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

June 30, 2023, net position in the Charter Schools Enterprise Fund per Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ 758,154</u>
Adjustments:	
Increase (decrease) in total net assets:	
Client closing adjustments after UA reporting	(343,801)
Reduction of state revenues and related receivables	(32,676)
Reduction of federal revenue and related receivable	(37,365)
Record current period expenses and reduce prepaid expenses	(22,989)
Record lease expense for implementation of FASB ASC 842	<u>(7,855)</u>
Net adjustments	<u>(444,686)</u>
June 30, 2023, net assets per audited financial statements	<u>\$ 313,468</u>

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 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

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 47612.5*.

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, 2023, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated February 15, 2024.

Report on 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 for 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001 that we consider to be a significant deficiency.

Report on 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*.

Crete Academy's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Crete Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs as the corrective action plan. The Charter's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
February 15, 2024

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

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

Report on State Compliance**Opinion on State Compliance**

We have audited Crete Academy's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Crete Academy's state program requirements for the fiscal year ended June 30, 2023.

In our opinion, Crete Academy complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023. as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Crete Academy and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Crete Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Crete Academy's state programs.

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Crete Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor’s Responsibilities for the Audit for State Compliance (continued)

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Crete Academy’s compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Crete Academy’s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Crete Academy’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Crete Academy’s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Crete Academy’s compliance with the state laws and regulations 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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the K-12 Audit Guide and which are described in the accompanying schedule of findings and questioned costs as Finding 2023-002. Our opinion on state compliance is not modified with respect to these matters.

Other Matters (continued)

Government Auditing Standards requires the auditor to perform limited procedures on Crete Academy's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs as the corrective action plan. Crete Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
February 15, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CRETE ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

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>Yes</u>
Noncompliance material to financial statements noted?	<u>No</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>
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
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

**CRETE ACADEMY
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING 2023-001: YEAR-END FINANCIAL CLOSING PROCESS (30000)

Criteria: The year-end financial closing process should include timely review of financial information and supporting schedules to properly record all transactions in accordance with GAAP.

Condition: There was a delay in the year-end financial closing process that created the need for several adjustments recorded after reporting of the unaudited actuals for the 2022-23 fiscal year. The Charter worked with a consultant to evaluate and provide entries for proper implementation of the new lease standard (FASB ASC 842); however, no adjustments were made to the financial statements provided for audit. Other audit adjustments were needed to correct accounts for revenues, expenses, receivables, deferred revenues, and prepaid expenses.

Cause: There was a mid-year change in consultants for business services as well as a direct change in general ledger accounting software that created irregularities. Implementation of the new lease standard required additional time to work with a consultant.

Effect: Material misstatements in the financial statements could exist.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend ensuring a timely financial closing process that allows for adequate review of transactions to prevent any financial reporting misstatements.

Corrective Action Plan: With regards to the lease implementation, Crete Academy will work closely with the back office to ensure the lease implementation requirement is met at least 72 hours prior to the due date. Furthermore, upon receiving the monthly financial package from the back office and upon completion of the Lease Implementation, Crete Academy staff will communicate with the back office provider, the expectation to have the Lease Implementation included in the financial system and therefore, associated financial documents. Crete Academy staff will then verify that the back office has uploaded the Lease information to their financial system and that the auditors have this information to conduct their financial review.

Crete Academy will continue to rely on its internal documentation and reporting of financial transactions, so that in the event of a change in back office providers and/or should the need to rely on the school level documentation should arise, the staff have the proper documentation to use. The system used in electronic and the staff at Crete on how to submit their evidence properly for documentation.

**CRETE ACADEMY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING 2023-002: ATTENDANCE REPORTING (10000)

Criteria: In accordance with Title 5, *California Code of Regulations*, Section 11960, regular average daily attendance (ADA) shall be computed by dividing a charter school’s total number of pupil-days of attendance by the number of calendar days on which school was actually taught in the charter school. The second period (P-2) and annual period attendance reports submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the charter school’s ADA in accordance with California Education Code Section 46000 et seq.

Condition: Based on procedures performed over attendance reporting, we noted that the ADA reported on the P-2 and Annual attendance reports did not agree to the underlying attendance data within the student information system utilized for attendance accounting. Per inquiry, no long-term independent study was offered yet nonclassroom-based instruction was reported on only the P-2 attendance report, which was done in error.

Effect: The Charter is not in compliance with reporting of accurate attendance data. ADA was inaccurately reported.

ADA Impact: The impact on ADA is noted below by reporting period:

Grade Span	P-2 ADA			Annual ADA		
	Original	Adjusted	Difference	Original	Adjusted	Difference
TK/K - 3	169.83	176.36	6.53	174.81	179.27	4.46
4 - 6	120.73	117.83	(2.90)	119.87	119.07	(0.80)
Total	290.56	294.19	3.63	294.68	298.34	3.66

Cause: Attendance data was updated in the student information system and was not communicated to personnel responsible for attendance reporting.

Questioned Cost: The fiscal impact is \$54,190 due to the Charter, as calculated based on P-2 ADA in the table below:

Grade Span	TK/K - 3	4 - 6
Difference in P-2 ADA	6.53	(2.90)
Derived value of ADA by grade span	\$ 14,025.79	\$ 12,896.13
LCFF penalty for ADA reduction	\$ 91,588	\$ (37,399)
Total fiscal impact		\$ 54,190

There is no questioned cost related to the reporting discrepancies noted for the Annual attendance report since the Charter is not funded on Annual ADA. The Charter’s P-2 and Annual attendance reports have not yet been revised to reflect the adjusted P-2 and adjusted Annual ADA listed on the Schedule of Average Daily Attendance.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that procedures be established to communicate any attendance changes to personnel responsible for attendance reporting to ensure that accurate data is reported to the CDE on the P-2 and Annual attendance reports or to determine if any corrected attendance reports are necessary based on the revised data.

Corrective Action Plan: Crete Academy will reconcile all quarterly ADA submission reports, before finalizing the Annual report for submission to the authorizer. Additionally, as a way to identify any discrepancies before the annual attendance reporting is due, Crete Academy will work with the auditors on the mid-year review, to specifically review prior attendance submissions for accuracy. Any discrepancies will be noted, reviewed, discussed and addressed to avoid incongruencies between the quarterly attendance submissions and our annual submission.

**CRETE ACADEMY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

This schedule presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2022.