



Annual Financial Report
June 30, 2019

New Village Girls Academy



NEW VILLAGE
GIRLS ACADEMY
reimagine what's possible

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

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JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Governing Board
New Village Charter School, Inc. *dba*
New Village Girls Academy
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of New Village Charter School, Inc. *dba* New Village Girls Academy (the Charter School) (A California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 Charter School'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 Charter School'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 respective financial position of the Charter School, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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 accompanying supplementary 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 11, 2019, on our consideration of the Charter School'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 School'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 School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 11, 2019

**NEW VILLAGE CHARTER SCHOOL, INC. dba
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)**

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

ASSETS

Current Assets

Cash	\$ 347,032	
Investments	1,190,893	
Accounts receivable	155,901	
Prepaid expenses	28,142	
Total Current Assets		\$ 1,721,968

Non-Current Assets

Security deposits		1,000
Fixed assets	1,584,497	
Less: accumulated depreciation	(901,540)	
Total Fixed Assets		682,957

Total Assets \$ 2,405,925

LIABILITIES

Current Liabilities

Accounts payable	114,816	
Deferred revenue	28,665	
Current portion of long-term obligations	50,000	
Total Current Liabilities		\$ 193,481

NET ASSETS

Without Donor Restriction 2,212,444
Total Net Assets

Total Liabilities and Net Assets \$ 2,405,925

The accompanying notes are an integral part of these financial statements.

**NEW VILLAGE CHARTER SCHOOL, INC. dba
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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Local Control Funding Formula	\$ 793,239
Federal revenue	145,325
Other State revenue	273,628
Local revenues	1,126,903
Interest and dividend	37,750
Unrealized and realized gain, net	36,334
Total Revenue	<u>2,413,179</u>

EXPENSES

Program services	2,115,533
Management and general	570,990
Total Expenses	<u>2,686,523</u>

DECREASE IN UNRESTRICTED NET ASSETS	(273,344)
NET ASSETS, BEGINNING OF YEAR	<u>2,485,788</u>
NET ASSETS, END OF YEAR	<u>\$ 2,212,444</u>

The accompanying notes are an integral part of these financial statements.

**NEW VILLAGE CHARTER SCHOOL, INC. dba
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (273,344)
Adjustments to reconcile decrease in net assets to net cash used by operating activities	
Depreciation expense	101,709
Unrealized and realized gain	(36,334)
Changes in operating assets and liabilities	
Decrease in accounts receivable	5,419
Increase in prepaid expenses	(10,319)
Increase in deferred revenue	28,665
Decrease in accounts payable	(38,180)
Net Cash Used by Operating Activities	<u>(222,384)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	213,126
Capital expenditures	(28,747)
Net Cash Provided by Investing Activities	<u>184,379</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Loan principal payments	<u>(50,000)</u>
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NET DECREASE IN CASH	(88,005)
CASH, BEGINNING OF YEAR	<u>435,037</u>
CASH, END OF YEAR	<u><u>\$ 347,032</u></u>

Supplemental cash flow disclosure:

Cash paid during the period for interest	<u><u>\$ 1,500</u></u>
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The accompanying notes are an integral part of these financial statements.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
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(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Subtotal Expenses</u>
Personnel			
Salaries	\$ 972,633	\$ 192,892	\$ 1,165,525
Employee benefits	85,485	18,469	103,954
Payroll taxes	271,610	34,447	306,057
Total Personnel	<u>1,329,728</u>	<u>245,808</u>	<u>1,575,536</u>
Operating			
Fees for services	105,232	72,373	177,605
Legal and professional fees	43,735	115,229	
Advertising and promotions	-	1,385	1,385
Office expenses	7,955	7,955	15,910
Information technology	-	5,633	5,633
Occupancy	169,663	33,648	203,311
Travel	22,305	662	22,967
Interest	-	1,500	1,500
Depreciation	81,367	20,342	101,709
Insurance	-	16,278	16,278
Other expenses	195,211	42,247	237,458
Capital outlay	30,619	-	30,619
Special Education Local Plan Area Fee	40,704	-	40,704
Instructional materials	19,841	-	19,841
Nutrition	69,173	-	69,173
District oversight fee	-	7,930	7,930
Total Operating	<u>785,805</u>	<u>325,182</u>	<u>952,023</u>
Total Functional Expenses	<u>\$ 2,115,533</u>	<u>\$ 570,990</u>	<u>\$ 2,527,559</u>

The accompanying notes are an integral part of these financial statements.

**NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

New Village Charter School, Inc. (the Corporation) *dba* New Village Girls Academy (the Charter School) was formed during 2005 as a Non-Profit Public Benefit Corporation and welcomed its first students in September 2006. The school is chartered through Los Angeles Unified School District, and was approved on March 28, 2006, and renewed on October 14, 2014, for a period of five years ending June 30, 2020. The charter was further renewed on September 24, 2019 for an additional period of five years ending June 30, 2025.

Charter school number authorized by the State: 0791

The Charter School is a four-year, all-girls, public charter high school, authorized to serve a maximum of 180 girls in grades nine through twelve. The school is located at 147 North Occidental Boulevard, Los Angeles, California.

Learning at New Village Girls Academy is based upon the Big Picture curriculum, with small classes, highly individualized instruction and twice-weekly internships at business and nonprofit organizations. Each student has an individual learning plan based upon her prior school experience, credits required to satisfy the A-G requirements of the University of California (and most four-year colleges in California), skill assessments by New Village and the student's own interests and goals.

Students spend a substantial part of each day in a small learning community of approximately 20 students, called an advisory. Learning is supervised by the students' advisor, a credentialed teacher who works with the students throughout their time at New Village. Math and science are taught in separate classes by teachers credentialed in those subjects.

Students spend one-half day, two days each week in an internship with a local business or community organization selected on the basis of the student's interests. The student's advisor communicates regularly with an adult mentor at the internship site to assure that the internship experience is substantive and meaningful and that the content of the internship work is integrated with the individual learning plan.

Other Related Entities

Joint Powers Agency and Risk Management Pools - The Charter School is associated with the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE. CharterSAFE does not meet the criteria for inclusion as a component unit of the Charter School. Additional information is presented in Note 13 to the financial statements.

Cash and Cash Equivalents

The Charter School considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

Prepaid Expenses/Security Deposit

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Charter School has reported prepaid items either when purchased or during the benefiting period. Security deposits represent amounts paid per the rental agreement of facilities that will not be returned within one year and are recorded as non-current asset

Fixed Assets

Fixed assets additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the year ended June 30, 2019, was \$101,709.

The Charter School reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

**NEW VILLAGE CHARTER SCHOOL, INC. dba
NEW VILLAGE GIRLS ACADEMY
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Charter School are derived in substantial part from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. The Charter School receives federal grants, which are paid through the California Department of Education or other state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

The Charter School is a Non-Profit Public Benefit Corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. Income tax returns for 2015 and forward may be audited by regulatory agencies; however, the Charter School is not aware of any such actions at this time.

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

The Charter School has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are more likely than not to be sustained, and, accordingly, no accounting adjustment has been made to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Charter School to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Charter Schools to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Charter Schools' mission.

Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

**NEW VILLAGE CHARTER SCHOOL, INC. dba
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)**

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

Change in Accounting Principle

As of July 1, 2018, the Charter School adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Charter School's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Charter School's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Charter School's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Charter School has elected not to present comparative information for these amendments.

The Charter School has adopted this standard as management believes the standard improves the usefulness and understandability of the Charter School financial reporting.

Adjustments Resulting from Change in Accounting Policy

As disclosed above, the Charter School adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Charter School's June 30, 2018 financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 2,485,788	\$ (2,485,788)	\$ -
Net assets without donor restrictions	-	2,485,788	2,485,788

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash, cash equivalents, mutual funds and marketable debt and equity securities	\$ 1,537,925
Accounts receivable and other assets	184,043
	<u>\$1,721,968</u>

**NEW VILLAGE CHARTER SCHOOL, INC. dba
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2019, consisted of the following:

	Reported Amount	Bank Balance
Deposits		
Cash on hand and in banks	\$ 347,032	\$ 368,685

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2019, the Charter School had \$118,685 in excess of FDIC insured limits. Management believes the Charter School is not exposed to any significant risk related to cash.

NOTE 4 - INVESTMENTS

Investments consist of equity and debt securities and mutual funds, all of which are carried at fair value in accordance with current accounting guidance (see Note 5). Donated investments are recorded at the fair value at the date of donation.

Net Investment income as of June 30, 2019, consisted of the following:

Dividends and interest	\$ 37,750
Net realized and unrealized gains	36,334
Total Return on Investment	<u>\$ 74,084</u>

NOTE 5 - FAIR MARKET VALUE MEASUREMENTS

The Charter School determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**NEW VILLAGE CHARTER SCHOOL, INC. dba
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for the investments and liability measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Cash and Short-Term Investments

Cash and short-term investments consist of cash and highly liquid short-term investments with original purchased maturities of three months or less. These investments have been classified within Level 1 of the valuation hierarchy.

Mutual Funds and Equity Securities

The fair value of investments in mutual funds and equity securities is based upon quoted prices in active markets.

The quoted prices of the mutual fund shares represent their closing net asset value. These investments have been classified within Level 1 of the valuation hierarchy.

Summary of Investments

Investments are recorded as follows in the Statement of Financial Position at June 30, 2019:

	Cost	Fair Market Value
<u>Whittier Trust Investments</u>		
Mutual funds and equity securities	<u>\$ 1,119,502</u>	<u>\$ 1,190,893</u>

**NEW VILLAGE CHARTER SCHOOL, INC. dba
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

<u>June 30, 2019</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds:				
Fixed income - taxable	\$ 432,259	\$ -	\$ -	\$ 432,259
Equity securities	758,634	-	-	758,634
Total	<u>\$ 1,190,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,190,893</u>

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, consisted of the following:

Local Control Funding Formula	\$ 34,145
Federal receivable	13,470
Other State receivable	21,144
Lottery	6,606
Other local	80,536
Total Accounts Receivable	<u>\$ 155,901</u>

NOTE 7 - PREPAID EXPENSES

Prepaid expenses at June 30, 2019, consisted of the following:

Prepaid rent, insurance, and miscellaneous vendors	<u>\$ 28,142</u>
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**NEW VILLAGE CHARTER SCHOOL, INC. dba
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)**

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

NOTE 8 - FIXED ASSETS

Fixed assets at June 30, 2019, consisted of the following:

Buildings		\$ 1,324,865
Computer and equipment		162,255
Furniture		97,377
	Subtotal	<u>1,584,497</u>
	Less: accumulated depreciation	<u>(901,540)</u>
	Total Fixed Assets	<u><u>\$ 682,957</u></u>

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

Salaries and benefits		\$ 7,174
Vendor payables		46,971
Accrued vacation		21,782
Due to grantor		38,889
	Total Accounts Payable	<u><u>\$ 114,816</u></u>

NOTE 10 - LONG-TERM OBLIGATIONS

On June 9, 2015, the Corporation, entered into a loan agreement for the amount of \$250,000. The loan bears an interest rate of 1.5 percent and a maturity date of June 30, 2020. The balance as of June 30, 2019, was \$50,000.

Future payments are as follows:

Repayment Year	Principal	Interest	Total
<u>June 30,</u>			
2020	<u>\$ 50,000</u>	<u>\$ 752</u>	<u>\$ 50,752</u>

**NEW VILLAGE CHARTER SCHOOL, INC. dba
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 - OPERATING LEASE

In August 2017, the Charter School entered into a one-year lease extension agreement with St. Anne's Maternity Home. Monthly lease payments are \$9,751 and the expiration date of the lease was in August 2018. An extension was entered into with monthly lease payments of \$10,431 and expires on August 31, 2020. During 2018-2019, the lease expense was \$120,772.

Future lease payments are as follows:

Year Ending June 30, <hr/> 2020	Lease Payments <hr/>
	\$ 124,564 <hr/> <hr/>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

**NEW VILLAGE CHARTER SCHOOL, INC. *dba*
 NEW VILLAGE GIRLS ACADEMY
 (A California Nonprofit Public Benefit Corporation)**

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

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Charter School contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, Charter School and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the Charter School's total contributions were \$152,416.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the School. These payments consist of State General Fund contributions to CalSTRS in the amount of \$124,062 (9.828 percent of the Charter School's salaries subject to CalSTRS and SB 90 contribution). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.2456 billion for CasSTRS and \$904 million for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements

NOTE 13 - PARTICIPATION IN JOINT POWERS AUTHORITY

The Charter School is a participant in the California Charter Schools Joint Powers Authority (CCS-JPA) *dba* CharterSAFE for risk management services for workers' compensation insurance and charter school liability insurance. The relationship between The Charter School and the CharterSAFE is such that the CharterSAFE is not considered a component unit of the Charter School for financial reporting purposes.

The CharterSAFE has budgeting and financial reporting requirements independent of member units and the CharterSAFE's financial statements are not presented in these financial statements; however, transactions between the CharterSAFE and the Charter School are included in these statements. Audited financial statements for the CharterSAFE were not available for fiscal year 2018-2019 at the time this report was issued. However, financial statements should be available from the respective agency.

During the year ended June 30, 2019, the Charter School made payments of \$27,647 to CharterSAFE for services received. At June 30, 2019, the Charter School had no recorded accounts receivable or accounts payable to the CharterSAFE.

NOTE 14 - CONTINGENCIES

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

Litigation

The Charter School has no outstanding claims or litigation.

**NEW VILLAGE CHARTER SCHOOL, INC. dba
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)**

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

NOTE 15 - RELATED PARTY TRANSACTION

The Charter School leases its school from St. Anne's Maternity Home, a California Nonprofit Public Benefit Corporation. One of the Charter School's directors is also a director of St. Anne's Maternity Home. Rent payments to St. Anne's Maternity Home during the year were \$120,772.

The above transaction was approved by a majority of the Charter School's Board of Directors, with the interested director abstaining.

On November 14, 2018 the Charter School entered into a consulting agreement with a former board member, who resigned from the board on November 13, 2018, for support with the Charter renewal process. To determine the transaction was at arm's length, the Charter School compared two consultants used by the Charter School and the qualifications of the former board member to determine the amount paid. Payments to the former board member for the 2018-2019 fiscal year were \$15,150. In 2019-2020 payments to the former board member were \$900.

NOTE 16 - SUBSEQUENT EVENTS

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 11, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



SUPPLEMENTARY INFORMATION

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA Ninth through twelfth	63.47	62.99
Classroom based ADA Ninth through twelfth	62.90	62.53

The charter offered a short-term Independent Study Program.

See accompanying note to supplementary information.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		67,500	180	N/A	Complied
Grade 10		67,500	180	N/A	Complied
Grade 11		67,500	180	N/A	Complied
Grade 12		67,500	180	N/A	Complied

See accompanying note to supplementary information.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)**

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

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 local education agencies. This schedule provides information regarding the attendance of students.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

The Charter School must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual Financial Report to the audited financial statements.



INDEPENDENT AUDITOR'S REPORTS



CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S 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***

Governing Board
New Village Charter School, Inc. *dba*
New Village Girls Academy
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Village Charter School, Inc. *dba* New Village Girls Academy (the Charter School) (A California Nonprofit Public Benefit Corporation) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School'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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 11, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
New Village Charter School, Inc. *dba*
New Village Girls Academy
(A California Nonprofit Public Benefit Corporation)
Los Angeles, California

Report on State Compliance

We have audited New Village Charter School, Inc. *dba* New Village Girls Academy's (the Charter School) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Charter School's state government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Charter School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

Unmodified Opinion

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Charter School did not receive funding related to the California Clean Energy Jobs Act; therefore, we did not perform any related procedures.

The Charter School does not operate a before or after school program within the After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

The Charter School does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

ADA was below the threshold required for testing Nonclassroom-Based Instruction; therefore, we did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Nonclassroom-Based Instruction.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 11, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW VILLAGE CHARTER SCHOOL, INC. *DB dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

NEW VILLAGE CHARTER SCHOOL, INC. *dba*
NEW VILLAGE GIRLS ACADEMY
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.