



**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2022**

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

Granite Mountain Charter (Charter No. 2033)

**GRANITE MOUNTAIN CHARTER SCHOOL**  
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**JUNE 30, 2022**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Granite Mountain Charter School  
Lucerne Valley, California

### **Report on the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Granite Mountain Charter School (the "Charter") which comprise the statement of financial position as of June 30, 2022, 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 Granite Mountain Charter School as of June 30, 2022, 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 Granite Mountain Charter School 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.

#### **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 Granite Mountain Charter School'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. 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.

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

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 Granite Mountain Charter School'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 Granite Mountain Charter School'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, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of Granite Mountain 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'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 Granite Mountain Charter School's internal control over financial reporting and compliance.



San Diego, California  
December 9, 2022

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

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**ASSETS**

Current assets

Cash and cash equivalents	\$ 2,438,391
Accounts receivable	4,867,675
Due from Inspire Schools	1,189,953
Prepaid expenses	247,761
Total current assets	<u>8,743,780</u>

Noncurrent assets

Deposits	19,132
Capital assets, net	162,448
Total noncurrent assets	<u>181,580</u>
<b>Total Assets</b>	<b><u>\$ 8,925,360</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$ 2,558,418
Due to Inspire Schools	2,038,978
Deferred rent	28,306
Deferred revenue	150,334
Loans payable	2,137,730
Total liabilities	<u>6,913,766</u>

Net assets

Without donor restrictions	<u>2,011,594</u>
Total net assets	<u>2,011,594</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 8,925,360</u></b>

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

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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	<u>Without Donor Restrictions</u>
<b>SUPPORT AND REVENUES</b>	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 31,584,688
Federal revenues	1,870,273
Other state revenues	6,627,360
Total federal and state support and revenues	<u>40,082,321</u>
Local support and revenues	
Payments in lieu of property taxes	923,955
Investment income, net	417
Other local revenues	43,979
Total local support and revenues	<u>968,351</u>
<b>Total Support and Revenues</b>	<u>41,050,672</u>
 <b>EXPENSES</b>	
Program services	36,501,285
Management and general	3,710,555
<b>Total Expenses</b>	<u>40,211,840</u>
 <b>CHANGE IN NET ASSETS</b>	838,832
 <b>Net Assets - Beginning</b>	<u>2,012,099</u>
Prior period restatement	<u>(839,337)</u>
<b>Net Assets - Beginning, as restated</b>	<u>1,172,762</u>
 <b>Net Assets - Ending</b>	<u><u>\$ 2,011,594</u></u>

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

**GRANITE MOUNTAIN CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

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	Program Services	Management and General	Total
<b>EXPENSES</b>			
Personnel expenses			
Certificated salaries	\$ 15,758,977	\$ 1,488,914	\$ 17,247,891
Non-certificated salaries	2,018,421	621,249	2,639,670
Pension plan contributions	3,946,660	343,852	4,290,512
Payroll taxes	631,660	54,499	686,159
Other employee benefits	1,577,113	137,853	1,714,966
Total personnel expenses	<u>23,932,831</u>	<u>2,646,367</u>	<u>26,579,198</u>
Non-personnel expenses			
Books and supplies	5,090,200	63,664	5,153,864
Insurance	247,634	29,394	277,028
Facilities	135,699	16,107	151,806
Professional services	5,888,980	643,749	6,532,729
Interest expense	-	169,810	169,810
Depreciation	14,312	1,699	16,011
Fees to authorizing agency	871,771	103,478	975,249
Other operating expenses	319,858	36,287	356,145
Total non-personnel expenses	<u>12,568,454</u>	<u>1,064,188</u>	<u>13,632,642</u>
<b>Total Expenses</b>	<u>\$ 36,501,285</u>	<u>\$ 3,710,555</u>	<u>\$ 40,211,840</u>

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



**GRANITE MOUNTAIN CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 838,832
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	16,011
(Increase) decrease in operating assets	
Accounts receivable	6,221,900
Due from Inspire Schools	718,096
Prepaid expenses	(181,056)
Increase (decrease) in operating liabilities	
Accounts payable	(1,700,199)
Due to Inspire Schools	1,870,278
Deferred rent	12,638
Deferred revenue	(868,121)
<b>Net cash provided by (used in) operating activities</b>	<u>6,928,379</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of capital assets	<u>(80,488)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(80,488)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Draws or proceeds from loans payable	725,000
Principal payments on loans payable	<u>(13,296,363)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(12,571,363)</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** (5,723,472)

**Cash and cash equivalents - Beginning** 8,161,863

**Cash and cash equivalents - Ending** \$ 2,438,391

**SUPPLEMENTAL DISCLOSURE**

Cash paid for interest	<u>\$ 169,810</u>
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The notes to the financial statements are an integral part of this statement.

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Granite Mountain Charter School (the “Charter”) was formed as a nonprofit public benefit corporation on January 23, 2019 for the purpose of operating as a California public school located in San Bernardino County. The Charter was numbered by the State Board of Education in May 2019 as California Charter No. 2033. The mission of Granite Mountain Charter School is to develop the individual gifts of students in San Bernardino County and adjacent counties to become proficient in Common Core State Standards and become critical thinkers, responsible citizens and innovative leaders prepared for academic and real-life achievement in the 21<sup>st</sup> Century. During the year ended June 30, 2022, Granite Mountain Charter School served students in transitional kindergarten through twelfth grade through its nonclassroom-based instruction program.

Granite Mountain Charter School is authorized to operate as a charter school through Lucerne Valley Unified School District (the “authorizing agency” or the “District”). The current charter petition approved by the District covers a five-year term ending June 30, 2024. Due to AB 130, the current charter petition end date is extended to June 30, 2026. 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, Granite Mountain Charter School is required to report information regarding its financial position and activities according to two classes of net assets:

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

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

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Estimates**

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

**E. Functional Expenses**

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

**F. Contributions**

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

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

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

**G. In Lieu of Property Taxes Revenue**

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the local school districts. In lieu of distributing funds out of property tax proceeds directly to the Charter, the local school districts make monthly payments to the Charter based on its students' residency status. Revenues are recognized by the Charter when earned.

**H. Cash and Cash Equivalents**

Granite Mountain Charter School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

**I. Investments**

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Receivables and Allowances**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2022, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

**K. Capital Assets**

Granite Mountain Charter School has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

**L. Deferred Revenue**

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

**M. Income Taxes**

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

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

**N. Fair Value Measurements**

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

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

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. New Accounting Pronouncement**

**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. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents, as of June 30, 2022, consists of the following:

Cash in banks, non-interest bearing	\$ 2,432,165
Cash in banks, interest bearing	6,226
<b>Total Cash and Cash Equivalents</b>	<b>\$ 2,438,391</b>

As of June 30, 2022, \$3,031,796 of the Granite Mountain Charter School's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Granite Mountain Charter School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable, as of June 30, 2022, consists of the following:

Local control funding sources, state aid	\$ 3,391,612
Federal sources	636,739
Other state sources	780,476
Refunds and reimbursements	58,848
<b>Total Accounts Receivable</b>	<b>\$ 4,867,675</b>

**NOTE 4 – CAPITAL ASSETS**

A summary of activity related to capital assets during the year ended June 30, 2022 consists of the following:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Property and equipment				
Buildings	\$ 59,897	\$ 73,838	\$ -	\$ 133,735
Furniture & Fixtures	-	6,650	-	6,650
Transportation Equipment	40,150	-	-	40,150
Total property and equipment	100,047	80,488	-	180,535
Less accumulated depreciation	(2,076)	(16,011)	-	(18,087)
<b>Capital Assets, net</b>	<b>\$ 97,971</b>	<b>\$ 64,477</b>	<b>\$ -</b>	<b>\$ 162,448</b>

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable, as of June 30, 2022, consists of the following:

Vendor payables	1,348,740
Salaries and benefits	766,572
Compensated absences	278,720
Due to grantor government	157,881
Due to authorizing agency	6,505
<b>Total Accounts Payable</b>	<b>\$ 2,558,418</b>

**NOTE 6 – DEFERRED REVENUE**

Deferred revenue, as of June 30, 2022, consists of the following:

Federal sources	\$ 49,085
State sources	101,249
<b>Total Deferred Revenue</b>	<b>\$ 150,334</b>

**NOTE 7 – DEFERRED RENT**

Granite Mountain Charter School holds a deferred rent liability of \$28,306 as of June 30, 2022. The deferred rent liability is associated with the facility use agreement disclosed in Note 13. In accordance with generally accepted accounting principles, multi-year lease agreements with varying lease payments should be expensed using a straight-line basis over the life of the lease. Consequently, lease expense attributed to the lease agreement was \$104,020 which differs from actual lease payments made of \$126,628 for the year ended June 30, 2022. Future minimum lease payments, lease expense, and the difference between these amounts are disclosed in Note 13.

**NOTE 8 – LOANS PAYABLE**

A summary of activity related to loans payable during the year ended June 30, 2022 consists of the following:

	Balance July 1, 2021	Draws	Payments	Balance June 30, 2022
Sale of receivables	\$ 12,635,841	\$ 725,000	\$ 12,935,841	\$ 425,000
PPP loan	2,073,252	-	360,522	1,712,730
<b>Total Loans Payable</b>	<b>\$ 14,709,093</b>	<b>\$ 725,000</b>	<b>\$ 13,296,363</b>	<b>\$ 2,137,730</b>

**Sale of Receivables**

During the fiscal year ended June 30, 2022, Granite Mountain Charter School entered into several agreements with Charter Asset Management Fund, L.P. for the sale of receivables to collateralize short-term borrowings. The difference between the face value of the receivables and the upfront purchase price or cash received by the Charter has been recorded as interest expense. The total amount borrowed during the fiscal year amounted to \$725,000. The interest and fees associated with these borrowings amounted to \$28,262 and total amount repaid was \$12,935,841 during the fiscal year ended June 30, 2022. As of June 30, 2022, the \$425,000 remained outstanding and is to be repaid in the 2022-23 fiscal year with local control funding formula sources.

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

**NOTE 8 – LOANS PAYABLE (continued)**

**Paycheck Protection Program (PPP) Loan**

On June 23, 2020, the Charter received loan proceeds in the amount of \$2,052,725 under the Paycheck Protection Program (PPP). The PPP, established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses. The loan and accrued interest are forgivable after a certain short-term period as long as the entity uses the loan proceeds for eligible purposes. The unforgiven portion of the PPP loan was originally payable over a two-year period of time; however, due to the PPP Flexibility Act enacted June 5, 2020, the repayment period is extended to five years while retaining the original interest rate of 1.00%. While the Charter believes that its use of the loan proceeds will likely meet the conditions of forgiveness, it is not yet assured that it will take actions that could cause the Charter to be ineligible for loan forgiveness, in whole or in part. During the fiscal year, the Charter repaid of \$360,522. As of June 30, 2022, the total balance is \$1,712,730. Repayment obligations on the above referenced debt are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 612,058	\$ 14,337	\$ 626,395
2024	618,207	8,188	626,395
2025	482,465	2,082	484,547
<b>Total</b>	<b>\$ 1,712,730</b>	<b>\$ 24,607</b>	<b>\$ 1,737,337</b>

**NOTE 9 – RELATED PARTY TRANSACTIONS**

**Inspire Charter Schools**

When Granite Mountain Charter School was initially incorporated in January 2019, its original bylaws listed Inspire Charter Schools (“Inspire”) as the sole member of the Charter. In July 2019, the board of directors approved amended bylaws to remove the sole member relationship and entered into a service agreement with Inspire Charter Schools. On February 29, 2020, the board of directors of Granite Mountain Charter School approved the cancellation of the services agreement held with Inspire and began the formal process to cease its relationship with Inspire Charter Schools. As a result of the relationship previously held with Inspire, the Charter engaged in related party transactions that included interschool receivables and payables and payment of management fees. These transactions only occurred in the 2019-20 fiscal year and no additional transactions, occurred during the 2021-22 fiscal year.

**Due to/from Inspire Schools**

As of June 30, 2022, the receivable recorded as due from Inspire Charter Schools was \$1,189,953 and the payable recorded as due to Inspire Charter Schools was \$2,038,978. A summary of activity related to interschool borrowings during the year ended June 30, 2022 consists of the following:

<u>Organization/Charter School</u>	<u>Balance July 1, 2021</u>	<u>Transfers or Payments</u>	<u>Repayment or Expenses</u>	<u>Balance June 30, 2022</u>
Inspire Kern	\$ 556,377	\$ -	\$ 556,377	\$ -
Inspire Central	392,931	-	-	392,931
Inspire Learning Latitudes	1,001,056	-	1,001,056	-
Triumph Charter School	6,610	-	-	6,610
Inspire Charter Schools (District Office)	790,412	-	-	790,412
<b>Due from Inspire Schools</b>	<b>\$ 2,747,386</b>	<b>\$ -</b>	<b>\$ 1,557,433</b>	<b>\$ 1,189,953</b>
Inspire South	\$ (40,014)	\$ -	\$ -	\$ (40,014)
Inspire North	(83,777)	-	-	(83,777)
Mission Vista Charter School	(44,909)	-	-	(44,909)
Inspire Charter Schools	-	-	1,870,278	(1,870,278)
<b>Due to Inspire Schools</b>	<b>\$ (168,700)</b>	<b>\$ -</b>	<b>\$ 1,870,278</b>	<b>\$ (2,038,978)</b>

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 9 – RELATED PARTY TRANSACTIONS (continued)**

**Authorizing Agency**

The Charter makes payments to the authorizing agency, Lucerne Valley Unified School District, to provide required services for oversight. In accordance with *California Education Code* 47613(b), the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; the District provides such facilities. Total fees paid to the authorizing agency for oversight amounted to \$675,249 for the fiscal year ending June 30, 2022.

**NOTE 10 – NET ASSETS**

As of June 30, 2022, 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, 2022, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 162,448
Undesignated	1,849,146
<b>Total Net Assets without Donor Restrictions</b>	<b>\$ 2,011,594</b>

**NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Charter's financial assets as of June 30, 2022, 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.

Financial Assets	
Cash and cash equivalents	\$ 2,438,391
Accounts receivable	4,867,675
Prepaid expenses	247,761
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<b>\$ 7,553,827</b>

**NOTE 12 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code* 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees participate in social security as an alternative plan.



**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)**

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

Granite Mountain Charter School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

**Funding Policy**

Active plan members are required to contribute 10.25% or 10.205% of their 2021-22 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2021-22 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2021-22	\$ 2,743,579	100%
2020-21	\$ 2,125,476	100%
2019-20	\$ 2,125,476	100%

**On-Behalf Payments**

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Granite Mountain Charter School is estimated at \$1,546,933. The on-behalf payment amount is computed as the proportionate share of total 2020-21 State on-behalf contributions.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Charter School Authorization**

As mentioned in Note 1A, Granite Mountain Charter School is approved to operate as a public charter school through authorization by the Lucerne Valley 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 is extended to June 30, 2026.

**Multiemployer Defined Benefit Plan Participation**

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$10,946,212 as of June 30, 2022. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 12 for additional information on employee retirement plans.

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2022**

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

**Governmental Funds**

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

**Facility Use Agreement**

On June 15, 2020, Granite Mountain Charter School entered into an amended commercial lease agreement, beginning July 1, 2020 and ending October 31, 2021, to occupy space located at 10535 Foothill Blvd., Suite 100, Rancho Cucamonga, California. The facility is utilized by the Charter for general office and administrative use. The lease called for an increase in security deposit from \$13,666 to \$32,798, resulting in a deposit of \$19,132, which has been recorded as a noncurrent asset in the Charter's financial statements. Total rent payments made during the fiscal year ended June 30, 2022 were \$126,628. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Lease</u> <u>Payments</u>	<u>Lease</u> <u>Expense</u>	<u>Prepaid/</u> <u>(Deferred)</u>
2023	\$ 117,145	\$ 116,658	\$ (487)
2024	120,659	116,658	\$ (4,001)
2025	124,279	116,657	(7,622)
2026	128,008	116,657	(11,351)
2027	43,731	38,886	(4,845)
<b>Total</b>	<b>\$ 533,822</b>	<b>\$ 505,516</b>	<b>\$ (28,306)</b>

**Litigation**

Granite Mountain Charter School is involved in litigation arising from disputes with vendors, its employees, or other matters during the normal course of business. In the opinion of management and legal counsel, the disposition of any pending litigation is not expected to have a material adverse effect on the overall financial position of the Charter at June 30, 2022.

**NOTE 14 – DONATED GOODS AND SERVICES**

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Granite Mountain Charter School 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, 2022.

**NOTE 15 – SUBSEQUENT EVENTS**

Granite Mountain Charter School has evaluated subsequent events for the period from June 30, 2022 through December 9, 2022, the date the financial statements were available to be issued. In August 2022, the Charter received loan proceeds of \$1,500,000, which is part of a \$2,000,000 total loan with Charter Asset Management. The loan holds an interest rate of 6.95% and matures on August 31, 2023. Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

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## **SUPPLEMENTARY INFORMATION**

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**GRANITE MOUNTAIN CHARTER SCHOOL**  
**LEA ORGANIZATION STRUCTURE**  
**JUNE 30, 2022**

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Granite Mountain Charter School, located in San Bernardino County, was formed as a nonprofit public benefit corporation on January 23, 2019 and numbered by the State Board of Education in May 2019 as Charter No. 2033. The Charter is authorized to operate as a charter school through the Lucerne Valley Unified School District. Classes began in July 2019. Granite Mountain Charter School provides nonclassroom-based instruction to students in transitional kindergarten through twelfth grade.

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**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Ryan Callahan	President	June 2024
John Hannon III	Vice President	June 2024
Sabino Nino Lopez	Secretary	June 2024
Wendy Maldonado	Treasurer	June 2024
Fritzy Devera	Member	June 2024

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**ADMINISTRATION**

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	Brook MacMillan <i>Executive Director</i>	
Ana Mejia-Santana <i>Chief of Staff</i>	Christina Phillips <i>Chief Operations Officer</i>	Jessica Ronquillo <i>Chief Business Officer</i>

See accompanying note to supplementary information.

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	\$ 153,735
<i>Passed through Los Angeles County Office of Education:</i>			
Special Education Cluster			
ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	153,381
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	512,566
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	37,212
Subtotal Special Education Cluster			703,159
<b>Total U. S. Department of Education</b>			<b>856,894</b>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Pandemic EBT Local Administrative Grant	10.649	15644	614
<b>Total U. S. Department of Agriculture</b>			<b>614</b>
FEDERAL COMMUNICATIONS COMMISSION:			
<i>Directly funded:</i>			
Emergency Connectivity Fund Program [1]	32.009	*	1,012,765
<b>Total Federal Communications Commission</b>			<b>1,012,765</b>
<b>Total Federal Expenditures</b>			<b>\$ 1,870,273</b>

[1] - Major Program

\* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

**GRANITE MOUNTAIN CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2022**

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	Second Period Report	Annual Report
	Nonclassroom-Based	
<b>Grade Span</b>		
Kindergarten* through third	1,396.04	1,395.58
Fourth through sixth	905.71	907.80
Seventh through eighth	503.78	502.62
Ninth through twelfth	559.82	554.75
<b>Total Average Daily Attendance - Nonclassroom-Based</b>	<b>3,365.35</b>	<b>3,360.75</b>

\*Includes Transitional Kindergarten (TK)

***The Charter had no Classroom-Based ADA in 2021-22.***

**GRANITE MOUNTAIN CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2022**

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Grade Span	2021-22 Number of Days	Status
Kindergarten*	175	Complied
Grades 1 through 3	175	Complied
Grades 4 through 8	175	Complied
Grades 9 through 12	175	Complied

\*Includes Transitional Kindergarten (TK)

See accompanying note to supplementary information.

**GRANITE MOUNTAIN CHARTER SCHOOL**  
**RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL**  
**STATEMENTS**  
**JUNE 30, 2022**

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June 30, 2022, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 2,822,331</u>
Adjustments:	
Increase (decrease) in total net assets:	
Record additional Educator Effectiveness revenue	28,600
Record write-off and payments of interschool receivables	<u>(839,337)</u>
Net adjustments	<u>(810,737)</u>
June 30, 2022, net assets per audited financial statements	<u>\$ 2,011,594</u>

See accompanying note to supplementary information.



**GRANITE MOUNTAIN CHARTER SCHOOL  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2022**

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**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 Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

**C. 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.

**D. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered per grade level by the Granite Mountain Charter School and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

**E. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements**

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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  
Granite Mountain Charter School  
Lucerne Valley, 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 Granite Mountain Charter School (the "Charter") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 9, 2022.

**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. 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 or significant deficiencies may exist that were not identified.

**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*.

## **Purpose of this Report**

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

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

San Diego, California  
December 9, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

To the Board of Directors of  
Granite Mountain Charter School  
Lucerne Valley, California

**Report on Compliance for Each Major Federal Program****Opinion on Each Major Federal Program**

We have audited Granite Mountain Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Granite Mountain Charter School's major federal programs for the year ended June 30, 2022. Granite Mountain Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Granite Mountain Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Granite Mountain Charter School 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 on compliance for each major federal program. Our audit does not provide a legal determination of Granite Mountain Charter School'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 effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Granite Mountain Charter School's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Granite Mountain Charter School'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 Uniform Guidance 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. 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 Granite Mountain Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, 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 Granite Mountain Charter School's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Granite Mountain Charter School'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Granite Mountain Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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 over compliance that we identified during the audit.

## **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 federal 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 federal 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 federal 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 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.

**Report on Internal Control Over Compliance (continued)**

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Christy White, Inc*

San Diego, California  
December 9, 2022

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

To the Board of Directors of  
Granite Mountain Charter School  
Lucerne Valley, California

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

We have audited Granite Mountain Charter School's compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Granite Mountain Charter School's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Granite Mountain Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

**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 *2021-22 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 Granite Mountain Charter School 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 Granite Mountain Charter School'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 Granite Mountain Charter School'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 Granite Mountain Charter School'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. 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 Granite Mountain Charter School'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 Granite Mountain Charter School's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Granite Mountain Charter School'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 Granite Mountain Charter School's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Granite Mountain Charter School's compliance with the state laws and regulations to the following items:

Description	Procedures Performed
<b>School Districts, County Offices of Education and Charter Schools</b>	
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	Not applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
In Person Instruction Grant	Yes
<b>Charter Schools</b>	
Attendance	Not applicable
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

“Not applicable” is used in the table above to indicate that the charter school 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.

## **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.

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

San Diego, California  
December 9, 2022

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**GRANITE MOUNTAIN CHARTER SCHOOL  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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**Financial Statements**

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

**Federal Awards**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	
<u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u>	
<u>32.009</u> <u>Emergency Connectivity Fund (ECF) Program</u>	

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**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>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</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:

<b>FIVE DIGIT CODE</b>	<b>AB 3627 FINDING TYPE</b>
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

**GRANITE MOUNTAIN CHARTER SCHOOL  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

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There were no audit findings related to the financial statements during the year ended June 30, 2022.

**GRANITE MOUNTAIN CHARTER SCHOOL  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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There were no audit findings and questioned costs related to federal awards during the year ended June 30, 2022.

**GRANITE MOUNTAIN CHARTER SCHOOL  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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There were no audit findings and questioned costs related to state awards during the year ended June 30, 2022.

**GRANITE MOUNTAIN CHARTER SCHOOL  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

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This schedule presents the status of actions taken by the Organization 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, 2021.