Financial Statements
June 30, 2020

Gorman Learning Charter Network, Inc.

Operating Gorman Learning Center (#0285) and
Gorman Learning Center San Bernardino/Santa Clarita (#1977)

GLCN

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Independent Auditor's Report

Governing Board
Gorman Learning Charter Network, Inc.
Redlands, California

Report on the Financial Statements

We have audited the accompanying financial statements of Gorman Learning Charter Network, Inc. (the Organization) (a California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Organization, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and other 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 schedule of expenditures of federal awards and the other supplementary information as listed in the table of contents 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 schedule of expenditures of federal awards and the other 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 February 16, 2021 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

Assets	
Current Assets	
Cash and cash equivalents	$ 14,455,128
Accounts receivable	4,299,782
Prepaid expenses	365,937
Inventory	1,169
Total current assets	19,122,016
Non-Current Assets	
Security deposits	231,454
Property and equipment, net	2,718,940
Total non-current assets	2,950,394
Total assets	$ 22,072,410
Liabilities	
Current Liabilities	
Accounts payable	$ 5,249,679
Accrued liabilities	410,515
Refundable advance - Paycheck Protection Program (PPP)	3,503,792
Total liabilities	9,163,986
Net Assets	
Without donor restrictions	12,908,424
Total liabilities and net assets	$ 22,072,410

Support and Revenues	
Local Control Funding Formula	$ 22,013,731
Federal revenue	1,127,375
Other State revenue	3,163,571
Local revenues	165,000
Interest income	27,955
Rental income	15,374
Total support and revenues	26,513,006
Expenses	
Program services	20,435,860
Management and general	8,273,419
Total expenses	28,709,279
Change in Net Assets	(2,196,273)
Net Assets, Beginning of Year	15,104,697
Net Assets, End of Year	$ 12,908,424

	Program Services	Management and General	Total
Salaries	$ 10,942,114	$ 2,779,306	$ 13,721,420
Employee benefits	2,057,506	514,377	2,571,883
Payroll taxes	2,384,098	596,025	2,980,123
Fees for services	1,502,202	2,483,049	3,985,251
Advertising and promotions	-	30,784	30,784
Office expenses	-	139,996	139,996
Information technology	334,594	83,649	418,243
Occupancy	1,719,262	429,815	2,149,077
Travel	-	28,706	28,706
Conferences and meeting	25,430	44,566	69,996
Interest	-	8,901	8,901
Depreciation	126,730	30,310	157,040
Insurance	-	153,510	153,510
Other expenses	16,034	274,272	290,306
Capital outlay	226,179	51,573	277,752
Instructional materials	1,088,448	272,113	1,360,561
Nutrition	13,263	3,316	16,579
District oversight fee	-	349,151	349,151
Total functional expenses	$ 20,435,860	$ 8,273,419	$ 28,709,279

Cash Flows from Operating Activities	
Change in net assets	$ (2,196,273)
Adjustments to reconcile change in net assets	
to net cash from operating activities	
Depreciation expense	157,040
Changes in operating assets and liabilities	
Accounts receivable	616,344
Prepaid expenses	(26,888)
Security deposits	(250)
Inventory	189
Accounts payable	1,937,526
Accrued liabilities	97,776
Deferred revenue	(44,160)
Refundable advance - PPP	3,503,792
Net Cash from Operating Activities	4,045,096
Cash Flows used for Investing Activities	
Purchases of property and equipment	(54,521)
Cash Flows used for Financing Activities	
Principal payments on notes	(158,208)
Net Change in Cash and Cash Equivalents	3,832,367
Cash and Cash Equivalents, Beginning of Year	10,622,761
Cash and Cash Equivalents, End of Year	$ 14,455,128
Supplemental Cash Flow Disclosure	
Cash paid during the year in interest	$ 8,901

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Gorman Learning Center, Inc. was incorporated in the State of California in 2000 as a nonprofit public benefit corporation that is organized under the Nonprofit Public Benefit Corporation Law exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code of 1954. During 2017, Gorman Learning Center, Inc. amended its articles of incorporation and changed the name to Gorman Learning Charter Network, Inc. (the Organization). The Organization was approved by the State of California Department of Education on February 9, 2000. The Organization operates the following authorized charters:

Gorman Learning Center (GLC)

Charter school number authorized by the State: 0285
GLC currently serves 1,096 students in grades K-12

Gorman Learning Center San Bernardino/Santa Clarita (GLC SB/SC)

Charter school number authorized by the State: 1977
GLC SB/SC currently serves 1,271 students in grades K-12

The Organization is serving students throughout Los Angeles County and San Bernardino County. Currently, the Organization operates Resource Centers at the following locations:

- Antelope Valley Resource Center – 3700 W. Avenue L, Lancaster, California
- Redland Resource Center/Business Office – 1826 Orange Tree Lane, Redlands, California
- Santa Clarita Resource Center – 16530 Lost Canyon Road, Santa Clarita, California

The Organization provides services such as education, encompassing instruction, student and staff support activities, facilities maintenance and operations, and food services. Supporting services include management and general services which are the Organization’s overall related administrative activities.

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

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 with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization 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. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2020 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Intercompany Receivable/Payable

Intercompany receivable/payable results from a net cumulative difference between resources provided by the home office account to each charter school and reimbursement for those resources from each charter school to the home office account. Operating transfers include certain costs of shared liabilities and shared assets between the Organization.

Property and Equipment

Property and equipment additions over $5,000 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.

The Organization reviews the carrying values of property and equipment 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, 2020.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The majority of the Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Organization would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The Organization was granted a $3,503,792 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has recorded the loan and any accrued interest as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness. At June 30, 2020, the refundable advance related to PPP was $3,503,792.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management’s estimates. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, information technology, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Accordingly, actual results could differ from those estimates.

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 management 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 is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Organization for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Organization for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Organization has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received and has early adopted the provisions of contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Organization has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statements.

On June 3, 2020, the FASB issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) Effective Dates for Certain Entities, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic.

ASU 2020-05 defers the effective date of FASB ASC 606, *Revenue from Contract with Customers*, for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The effective date for a public business entity, a nonprofit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission (SEC) is not affected by the amendments in this ASU.

The effective date of FASB ASC 842, *Leases*, is deferred by one year, as follows:

For private companies and private nonprofits, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

For public nonprofits that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 842, to fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2020-05.

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 and cash equivalents	$ 14,455,128
Accounts receivable	4,299,782
Total	$ 18,754,910

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2020:

Land	$ 750,000
Building improvements	517,641
Building	2,430,000
Computer and equipment	557,236
	4,254,877
Less accumulated depreciation	(1,535,937)
Total	$ 2,718,940

Note 4 - Operating Leases

Antelope Valley Resource Center

The Organization entered into a lease agreement with RD Properties in which the Organization will occupy 3700 West Avenue L, Lancaster, CA, for a resource center. The term of this agreement expires on 2022. Lease expense for the fiscal year ending June 30, 2020 was $1,031,713, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payments
2021	$ 1,052,347
2022	1,073,394
Total	$ 2,125,741

Santa Clarita Resource Center

The Organization entered into a lease agreement with Lost Canyon Investors, LLC in which the Organization will occupy 16530 Lost Canyon Road, Santa Clarita, CA, for a resource center. The term of this agreement expires on 2026. Lease expense for the fiscal year ending June 30, 2020 was $487,342, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payments
2021	$ 501,963
2022	517,022
2023	532,532
2024	548,508
2025	564,963
Thereafter	1,181,282
Total	$ 3,846,270

Warehouse

The Organization entered into a lease agreement with 64 Alabama Partnership, L.P., for the warehouse located at 451 Alabama Street, Redlands, CA. The term of this agreement expires on 2024. Lease expense for the fiscal year ending June 30, 2020 was $287,750, which is included in occupancy in the statement of functional expenses.

Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payments
2021	$ 294,600
2022	302,050
2023	309,850
2024	271,000
Total	$ 1,177,500

Note 5 - 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) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

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 Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization 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 Organization 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, 2018, 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.

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% 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 Organization 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, Organization, 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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the Organization's total contributions were $1,462,997.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' 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, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Organization is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total Organization's contributions were $997,863.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Organization. These payments consist of State General Fund contributions to CalSTRS in the amount of $356,156 (10.328% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of this contribution has been recorded in the amount of $119,467 in these financial statements.

Note 6 - Contingencies

The Organization 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.

Note 7 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through February 16, 2021, 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.

Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Organization's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Supplementary Information
June 30, 2020

Gorman Learning Charter Network, Inc.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Special Education Cluster			
Basic Local Assistance	84.027	13379	$ 340,435
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	685,993
Title II, Part A, Supporting Effective Instruction	84.367	14341	95,145
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	5,802
Subtotal			786,940
Total U.S. Department of Education			1,127,375
Total Federal Programs			$ 1,127,375

ORGANIZATION

Gorman Learning Charter Network Inc. operates two charter schools. Gorman Learning Center (Charter Number 0285) was granted on February 9, 2000, by Gorman Joint School District. Gorman Learning Center San Bernardino/Santa Clarita (Charter Number 1977) was granted on July 12, 2018, by Lucerne Valley Unified School District.

Governing Board

Member	Office	Term Expires
Jana Perea	President	June 30, 2020
Joshua Stegner	Vice President/Treasurer	June 30, 2020
Dori Burnett	Secretary	June 30, 2021
Carlos Bravo	Member	June 30, 2021
Jennifer Ferguson	Member	June 30, 2021
Tiffany Gray	Member	June 30, 2022

Administration

Name	Title
Denice Burchett	Executive Director
Truth Z. Ncube	Chief Business Officer

Gorman Learning Center (GLC)

	Second Period Report 8F854CF5	Annual Report 1981C101
Regular ADA/Nonclassroom Based		
Transitional kindergarten through third	221.38	221.38
Fourth through sixth	204.12	204.12
Seventh and eighth	225.32	225.32
Ninth through twelfth	445.00	445.00
Total Regular ADA	1,095.82	1,095.82
Classroom Based ADA		
Transitional kindergarten through third	-	-
Fourth through sixth	-	-
Seventh and eighth	-	-
Ninth through twelfth	-	-
Total Classroom Based ADA	-	-

The Charter School only operated a non-classroom based program.

Gorman Learning Center San Bernardino/Santa Clarita (GLC SB/SC)

	Second Period Report E16F789B	Annual Report 59EB481C
Regular ADA/Nonclassroom Based		
Transitional kindergarten through third	300.57	300.57
Fourth through sixth	241.41	241.41
Seventh and eighth	250.50	250.50
Ninth through twelfth	478.64	478.64
Total Regular ADA	1,271.12	1,271.12
Classroom Based ADA		
Transitional kindergarten through third	-	-
Fourth through sixth	-	-
Seventh and eighth	-	-
Ninth through twelfth	-	-
Total Classroom Based ADA	-	-

The Charter School only operated a non-classroom based program.

California *Education Code* Section 47612.5 states this schedule does not apply to independent study programs; accordingly, such schedule has not been presented.

	GLC	GLC SB/SC	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 4,878,454	$ 9,576,674	$ -	$ 14,455,128
Accounts receivable	2,374,249	1,925,533	-	4,299,782
Intercompany receivable	3,653,490	-	(3,653,490)	-
Prepaid expenses	194,604	171,333	-	365,937
Inventory	337	832	-	1,169
Total current assets	11,101,134	11,674,372	(3,653,490)	19,122,016
Non-Current Assets				
Security deposits	179,275	52,179	-	231,454
Property and equipment, net	1,351,247	1,367,693	-	2,718,940
Total non-current assets	1,530,522	1,419,872	-	2,950,394
Total assets	$ 12,631,656	$ 13,094,244	$ (3,653,490)	$ 22,072,410
Liabilities				
Current Liabilities				
Accounts payable	$ 2,543,897	$ 2,705,782	$ -	$ 5,249,679
Accrued liabilities	176,025	234,490	-	410,515
Refundable advance - Paycheck Protection Program (PPP)	1,751,896	1,751,896	-	3,503,792
Intercompany payable	-	3,653,490	(3,653,490)	-
Total liabilities	4,471,818	8,345,658	(3,653,490)	9,163,986
Net Assets				
Without donor restrictions	8,159,838	4,748,586	-	12,908,424
Total liabilities and net assets	$ 12,631,656	$ 13,094,244	$ (3,653,490)	$ 22,072,410

	GLC Without Donor Restrictions	GLC SB/SC Without Donor Restrictions	Total
Support and Revenues			
Local Control Funding Formula	$ 10,260,328	$ 11,753,403	$ 22,013,731
Federal revenue	770,921	356,454	1,127,375
Other State revenue	1,604,889	1,558,682	3,163,571
Local revenues	141,988	23,012	165,000
Interest income	13,977	13,978	27,955
Rental income	14,054	1,320	15,374
Total support and revenues	12,806,157	13,706,849	26,513,006
Expenses			
Program services	9,608,829	10,827,031	20,435,860
Management and general	4,131,968	4,141,451	8,273,419
Total expenses	13,740,797	14,968,482	28,709,279
Change in Net Assets	(934,640)	(1,261,633)	(2,196,273)
Net Assets, Beginning of Year	9,094,478	6,010,219	15,104,697
Net Assets, End of Year	$ 8,159,838	$ 4,748,586	$ 12,908,424

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	GLC	GLC SB/SC	Total
Net Assets			
Balance, June 30, 2020, Unaudited Actuals	$ 8,439,985	$ 4,761,274	$ 13,201,259
Decrease in			
Accounts receivable	(3,925,011)	-	(3,925,011)
Property and equipment, net	(12,688)	(12,688)	(25,376)
Accounts payable	(44,611)	-	(44,611)
Deferred revenue	48,673	-	48,673
Increase in			
Intercompany receivables	3,653,490	-	3,653,490
Balance, June 30, 2020, Audited Financial Statements	$ 8,159,838	$ 4,748,586	$ 12,908,424

Note 1 - Purpose of Supplementary Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information 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). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate
The Organization does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

Local Education Agency Organization Structure

This schedule provides information about the Organization's operations, 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 Organization. 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 at the Organization.

Schedule of Instructional Time

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

California *Education Code* Section 47612.5 states this schedule does not apply to independent study programs; accordingly, such schedule has not been presented.

Combining Statement of Financial Position and Combining Statement of Activities

The Combining Statement of Financial Position and Combining Statement of Activities are included to provide information regarding the individual programs of the Charter Schools within the Organization and are presented on the accrual basis of accounting. Eliminating entries in the Combining Statement of Financial Position and Combining Statement of Activities are for activities between each charter school.

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
June 30, 2020

Gorman Learning Charter Network, Inc.

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
Gorman Learning Charter Network, Inc.
Redlands, 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 Gorman Learning Charter Network, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Governing Board
Gorman Learning Charter Network, Inc.
Redlands, California

Report on Compliance for the Major Federal Program
We have audited Gorman Learning Charter Network, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program
In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance
Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

Governing Board
Gorman Learning Charter Network, Inc.
Redlands, California

Report on State Compliance
We have audited Gorman Learning Charter Network, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on the Organization's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the Organization's compliance.

Compliance Requirements Tested

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

	Procedures Performed
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

	Procedures Performed
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

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

We did not perform California Clean Energy Jobs Act procedures because the Organization did not receive funding for this program.

We did not perform procedures for the After/Before School Education and Safety Program because the Organization does not offer the program.

The Organization does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

We did not perform procedures for the Charter Schools Mode of Instruction nor Annual Instruction Minutes Classroom-Based because the Organization is entirely nonclassroom-based.

We did not perform procedures for the Charter School Facility Grant Program because the Organization did not receive funding for this program.

Unmodified Opinion
In our opinion, Gorman Learning Charter Network, Inc. complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Title I, Part A, Basic Grants Low-Income and Neglected	84.010

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified

None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2019-001 30000 – Financial Preparation and Audit Adjustments

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatements, whether due to error or fraud. This includes the posting of all material adjustments necessary to close the year and accurately reflect the activity of the Charter Schools.

Condition

Communicating Internal Control Related Matters Identified in an Audit defines a material weakness and significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditors.

Questioned Costs

There were no direct questioned costs associated with the condition identified.

Context

During the course of the audit, there were areas of the financial statement that were misstated. This was due to the complexities of establishing a second school in the 2018-19 fiscal year and reallocating funds to reflect two financial statements.

Effect

During the course of our engagement, we proposed material audit adjustments to the Charter Schools' recorded account balances in the financial statements which, if not recorded, would have resulted in a material misstatement of the Charter Schools' financial statements.

Cause

The cause of the condition identified appears to have resulted from recent changes in the Charter Schools' restructuring of the Charter School accounting due to the necessary changes as a result of accounting for a second charter school under new regulations.

Repeat Finding

No

Recommendation

We recommend management and those charged with governance evaluate the internal control structure and consider changes as necessary that will ensure that the financial statements are free from potential material misstatements and allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Current status

Implemented

State Awards Findings

2019-002 40000 – Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that SB/SC should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System..

Condition

The Unduplicated Local Control Funding Pupil Counts submitted to the California Department of Education was inaccurate. It appears that Gorman Learning Center San Bernardino/Santa Clarita (SB/SC) inaccurately reported eligibility for a total of 5 students for Free and Reduced students on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The questioned costs associated with this condition resulted in a decrease in Local Control Funding Formula of approximately $8,305.

Context

The condition was identified through a selection of students from Form 1.18, based on the criteria as stated on the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Part W. We selected a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column and students that are only English Learner (EL) eligible as identified under the "ELAS Designation" column and verify there is supporting documentation that indicates the student was eligible for the designation. Based on testing performed, it was determined that the SB/SC's certified Form 1.18 over claimed the total Free and Reduced designated students by 5 students.

Effect

SB/SC does not appear to be in compliance with Education Code Section 42238.02(b)(4) states that SB/SC should revise their submitted data on English learning, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System.

School	Enrollment Count	Certified Total Unduplicated Count	Adjusted Based on Eligibility for FRPM	Adjusted Total Unduplicated Count	Adjusted Total Enrollment Count
Gorman Learning Charter San Bernardino/Santa Clarita	1,266	346	(5)	341	1,266

Cause

It appears that the condition identified has materialized as a result of clerical errors.

Repeat Finding

No

Recommendation

SB/SC should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all Free and Reduced designated students are updated based on Free and Reduced student information received. In addition, procedures should be implemented to cross-check the Free and Reduced status of students in the SB/SC's student information system to the Free and Reduced status reported in CALPADS

Current status

Implemented