



AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

**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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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Granite Mountain Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, including the schedule 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 January 27, 2022, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

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

San Diego, California
January 27, 2022

GRANITE MOUNTAIN CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 8,161,863
Accounts receivable	11,089,575
Due from Inspire Schools	2,747,386
Prepaid expenses	66,705
Total current assets	<u>22,065,529</u>

Noncurrent assets

Deposits	19,132
Capital assets, net	97,971
Total noncurrent assets	<u>117,103</u>
Total Assets	<u>\$ 22,182,632</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 4,258,617
Due to Inspire Schools	168,700
Deferred rent	15,668
Deferred revenue	1,018,455
Loans payable	14,709,093
Total liabilities	<u>20,170,533</u>

Net assets

Without donor restrictions	<u>2,012,099</u>
Total net assets	<u>2,012,099</u>
Total Liabilities and Net Assets	<u>\$ 22,182,632</u>

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, 2021

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 28,232,667
Federal revenues	891,018
Other state revenues	4,290,657
Total federal and state support and revenues	<u>33,414,342</u>
Local support and revenues	
Payments in lieu of property taxes	857,500
Investment income, net	1,523
Other local revenues	43,314
Total local support and revenues	<u>902,337</u>
Total Support and Revenues	<u>34,316,679</u>
 EXPENSES	
Program services	30,185,043
Management and general	3,911,601
Total Expenses	<u>34,096,644</u>
 CHANGE IN NET ASSETS	220,035
 Net Assets - Beginning	<u>1,792,064</u>
 Net Assets - Ending	<u>\$ 2,012,099</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, 2021**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 12,832,344	\$ 918,215	\$ 13,750,559
Non-certificated salaries	1,062,843	599,207	1,662,050
Pension plan contributions	2,897,382	316,408	3,213,790
Payroll taxes	451,395	49,295	500,690
Other employee benefits	1,596,950	174,395	1,771,345
Total personnel expenses	18,840,914	2,057,520	20,898,434
Non-personnel expenses			
Books and supplies	4,995,943	25,633	5,021,576
Insurance	256,133	27,971	284,104
Facilities	109,028	11,906	120,934
Professional services	4,968,513	1,117,920	6,086,433
Interest expense	-	559,861	559,861
Depreciation	1,556	170	1,726
Payments to authorizing agency	786,784	85,921	872,705
Other operating expenses	226,172	24,699	250,871
Total non-personnel expenses	11,344,129	1,854,081	13,198,210
Total Expenses	\$ 30,185,043	\$ 3,911,601	\$ 34,096,644

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 220,035
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	1,726
(Increase) decrease in operating assets	
Accounts receivable	(8,546,751)
Due from Inspire Schools	2,686,335
Prepaid expenses	(23,312)
Deposits	25,000
Increase (decrease) in operating liabilities	
Accounts payable	921,778
Deferred rent	15,668
Deferred revenue	1,018,455
Net cash provided by (used in) operating activities	<u>(3,681,066)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	<u>(85,047)</u>
Net cash provided by (used in) investing activities	<u>(85,047)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Draws or proceeds from loans payable	19,607,127
Interest payable on loans payable	20,527
Principal payments on loans payable	<u>(11,376,286)</u>
Net cash provided by (used in) financing activities	<u>8,251,368</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 4,485,255

Cash and cash equivalents - Beginning 3,676,608

Cash and cash equivalents - Ending \$ 8,161,863

SUPPLEMENTAL DISCLOSURE

Cash paid for interest	<u>\$ 539,334</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, 2021

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 21st Century. During the year ended June 30, 2021, 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. 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, 2021, 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, 2021

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, 2021, consists of the following:

Cash in banks, non-interest bearing	\$ 3,421,280
Cash in banks, interest bearing	4,740,583
Total Cash and Cash Equivalents	\$ 8,161,863

As of June 30, 2021, \$8,222,123 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, 2021, consists of the following:

Local control funding sources, state aid	\$ 9,513,902
Federal sources	434,965
Other state sources	1,131,990
In lieu property tax payments	8,718
Total Accounts Receivable	\$ 11,089,575

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2021 consists of the following:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Property and equipment				
Leasehold improvements	\$ 15,000	\$ 44,897	\$ -	\$ 59,897
Transportation equipment	-	40,150	-	40,150
Total property and equipment	15,000	85,047	-	100,047
Less accumulated depreciation	(350)	(1,726)	-	(2,076)
Capital Assets, net	\$ 14,650	\$ 83,321	\$ -	\$ 97,971

GRANITE MOUNTAIN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable, as of June 30, 2021, consists of the following:

Due to Inspire Schools	\$ 1,985,590
Salaries and benefits	848,223
Compensated absences	248,529
Vendor payables	1,176,275
Total Accounts Payable	\$ 4,258,617

NOTE 6 – DEFERRED REVENUE

Deferred revenue, as of June 30, 2021, consists of \$1,018,455 in State sources.

NOTE 7 – DEFERRED RENT LIABILITY

Granite Mountain Charter School holds a deferred rent liability of \$15,668 as of June 30, 2021. 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 \$116,658 which differs from actual lease payments made of \$100,990 for the year ended June 30, 2021. 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, 2021 consists of the following:

	Balance July 1, 2020	Draws	Payments	Balance June 30, 2021
Sale of receivables	\$ 4,405,000	\$ 19,607,127	\$ 11,376,286	\$ 12,635,841
PPP loan	2,052,725	20,527	-	2,073,252
Total Loans Payable	\$ 6,457,725	\$ 19,627,654	\$ 11,376,286	\$ 14,709,093

Sale of Receivables

In May 2020, Granite Mountain Charter School received \$4,243,851 backed by future apportionment payments valued at \$4,405,000. The \$4,405,000 outstanding was repaid as of June 30, 2021.

During the fiscal year ended June 30, 2021, 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 \$19,607,127. The interest and fees associated with these borrowings amounted to \$539,334 and total amount repaid was \$11,376,286 during the fiscal year ended June 30, 2021. As of June 30, 2021, the \$12,635,841 remained outstanding and is to be repaid in the 2021-22 fiscal year with local control funding formula sources.

GRANITE MOUNTAIN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

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 accrued interest of \$20,527. As of June 30, 2021, the total balance is \$2,073,252.

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 related party transactions only occurred in the 2019-20 fiscal year and no additional transactions, other than repayment of prior balances, occurred during the 2020-21 fiscal year.

Due to/from Inspire Schools

As of June 30, 2021, the receivable recorded as due from Inspire Charter Schools was \$2,747,386 and the payable recorded as due to Inspire Charter Schools was \$168,700. A summary of activity related to interschool borrowings during the year ended June 30, 2021 consists of the following:

Organization/Charter School	Balance July 1, 2020	Transfers or Payments	Repayment or Expenses	Balance June 30, 2021
Inspire Kern	\$ 3,242,712	\$ -	\$ 2,686,335	\$ 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
Due from Inspire Schools	\$ 5,433,721	\$ -	\$ 2,686,335	\$ 2,747,386
Inspire South	\$ (40,014)	\$ -	\$ -	\$ (40,014)
Inspire North	(83,777)	-	-	(83,777)
Mission Vista Charter School	(44,909)	-	-	(44,909)
Due to Inspire Schools	\$ (168,700)	\$ -	\$ -	\$ (168,700)

GRANITE MOUNTAIN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

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 \$872,705 for the fiscal year ending June 30, 2021.

NOTE 10 – NET ASSETS

As of June 30, 2021, 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, 2021, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 97,971
Undesignated	1,914,128
Total Net Assets without Donor Restrictions	<u>\$ 2,012,099</u>

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2021, 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	\$ 8,161,863
Accounts receivable, current portion	11,089,575
Due from Inspire Schools, current portion	718,095
Prepaid expenses	66,705
Total Financial Assets, excluding noncurrent	<u>\$ 20,036,238</u>
Cash intercept for sale of receivables	(7,479,228)
Board designations	-
Financial Assets available to meet cash needs	
for expenditures within one year	<u>\$ 12,557,010</u>

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, 2021

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 2020-21 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2020-21 was 16.15% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last two fiscal years were as follows:

	Contribution	Percent of Required Contribution
2020-21	\$ 2,125,476	100%
2019-20	\$ 1,762,162	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 \$1,088,314. The on-behalf payment amount is computed as the proportionate share of total 2019-20 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.

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.

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 \$18,654,892 as of June 30, 2020. 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, 2021

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

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, 2021 were \$100,990. 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>
2022	\$ 104,020	\$ 116,658	\$ 12,638
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)
Thereafter	43,731	38,886	(4,845)
Total	\$ 637,842	\$ 622,174	\$ (15,668)

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, 2021.

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.

NOTE 15 – SUBSEQUENT EVENTS

Granite Mountain Charter School has evaluated subsequent events for the period from June 30, 2021 through January 27, 2022, the date the financial statements were available to be issued.

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 new term expiration date to the charter petition mentioned in Note 1A is June 30, 2026.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

GRANITE MOUNTAIN CHARTER SCHOOL
LEA ORGANIZATION STRUCTURE
JUNE 30, 2021

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.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Luke Kibler	President	April 2023
Valarie Campa*	Vice President	April 2023
Wendy Maldonado	Treasurer	April 2023
Ryan Callahan	Secretary	April 2023
Fritz Devera	Member	June 2023

ADMINISTRATION

Brook MacMillan
Executive Director

Ana Mejia-Santana
Chief of Staff

Christina Phillips
Chief Operations Officer

Jessica Ronquillo
Chief Business Officer

**Valarie Campa resigned June 2021.*

GRANITE MOUNTAIN CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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 School Finance Authority:</i>			
ESSA: Title IV, Part C, Public Charter Schools Grant	84.282D	*	\$ 177,217
<i>Passed through California Department of Education:</i>			
Special Education Cluster [1]			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	397,753
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	37,212
Subtotal Special Education Cluster			434,965
Total U. S. Department of Education			612,182
U. S. DEPARTMENT OF THE TREASURY			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	25516	197,432
Total U. S. Department of the Treasury			197,432
Total Federal Expenditures			\$ 809,614

[1] - Major Program

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

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 891,018
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	(81,404)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		\$ 809,614

See accompanying note to supplementary information.

**GRANITE MOUNTAIN CHARTER SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

Grade Span	2020-21	Status
	Number of Days	
Kindergarten**	178	Complied
Grades 1 through 3	178	Complied
Grades 4 through 8	178	Complied
Grades 9 through 12	178	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, 2021**

There were no adjustments to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets per the audited financial statements for the year end ended June 30, 2021.

**GRANITE MOUNTAIN CHARTER SCHOOL
NOTE TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

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 Instructional Time

This schedule presents information on the number of instructional days offered per grade level by the Granite Mountain Charter School and whether the Charter complied with the provisions of *Education Code Section 47612*.

D. 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.

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

To the Board of Directors of
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, 2021, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated January 27, 2022.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

San Diego, California
January 27, 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

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, 2021. 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.

Management's Responsibility

Management is responsible for compliance with 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 each of Granite Mountain Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 Granite Mountain Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Granite Mountain Charter School's compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

Management of Granite Mountain Charter School 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 Granite Mountain Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Granite Mountain Charter School'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 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.

A handwritten signature in blue ink that reads "Christy White, Inc".

San Diego, California
January 27, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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

Report on State Compliance

We have audited Granite Mountain Charter School's compliance with the types of compliance requirements described in the *2020-21 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, 2021, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Granite Mountain Charter School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Granite Mountain Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Granite Mountain Charter School's compliance with those requirements.

Opinion on State Compliance

In our opinion, Granite Mountain Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table for the year ended June 30, 2021.

Procedures Performed

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

Description	Procedures Performed
Local Education Agencies	
Attendance and Distance Learning	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Instructional Time	Not applicable
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
GANN Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
K-3 Grade Span Adjustment	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study – Course Based	Not applicable
Attendance	Yes
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Charter School Facility Grant Program	Not applicable



San Diego, California
January 27, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**GRANITE MOUNTAIN CHARTER SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

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>84.027, 84.027A</u>	<u>Special Education Cluster</u>
<u>21.019</u>	<u>Coronavirus Relief Fund (CRF): Learning Loss Mitigation</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>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**GRANITE MOUNTAIN CHARTER SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no audit findings and questioned costs related to the federal awards during 2020-21.

**GRANITE MOUNTAIN CHARTER SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE
50000

AB 3627 FINDING TYPE
Federal Compliance

There were no audit findings related to the financial statements during 2020-21.

**GRANITE MOUNTAIN CHARTER SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

There were no audit findings and questioned costs related to state awards during 2020-21.

**GRANITE MOUNTAIN CHARTER SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING 2020-001: INTERNAL CONTROLS OVER RELATED PARTY TRANSACTIONS (30000)

Criteria: Effective internal controls provide reasonable assurance that charter school's operations are effective and efficient, that the financial information is reliable, and that the organization operates in compliance with applicable laws and regulations. Transactions between the charter school and management organizations should be transparent, clearly documented, and be fully disclosed for independent audit. Transactions and balances related to interagency activity should be transparent, accountable, and approved in writing by management.

Condition: Through our review of financial transactions and balances, there were several transfers of cash made to outside organizations as well as shared expenses that were paid by the Charter on-behalf of other organizations or by other organizations on-behalf of the Charter. Although a policy existed to allow for certain interschool borrowings between Granite Mountain Charter School and organizations related to Inspire Charter Schools, the policy calls for a board delegated "authorized officer" for amounts of \$50,000 or less and board approval for any transactions over \$50,000. Additionally, the policy noted that no loans to others are to be made that will negatively impact the Charter's own budgeted spending.

Documentation detailing the specific transactions was not available for audit and approval by management or the board of directors on the specific borrowings did not appear to exist. Many of the shared expenses consisted of various credit card purchases and payroll-related costs for which adequate receipts and employee time and effort documentation was not made available. The board had delegated its executive director as its authorized officer yet transactions under \$50,000 did not appear to have her approval and any amounts over \$50,000 were not brought to the board for approval.

The Charter also engaged in several sale of receivable transactions for short-term cash borrowing to aid in cash flow suggesting that the transfers to others negatively impacted the Charter's own budgeted spending. It appears that a large amount of funding specifically apportioned to Granite Mountain Charter School was transferred or spent to support other organization operations outside of the Charter resulting in a large amount payable to the Charter at June 30, 2020.

Cause: Interschool borrowings were initiated by Inspire Charter Schools and occurred due to its control of the Charter's assets without the advance approval by Granite Mountain Charter School management or the board of directors.

Effect or potential effect: The risk of misappropriation of assets and misuse of charter school funding exists.

Recommendation: We recommend that the Charter work to obtain documentation to clearly support all transactions with outside organizations related to Inspire Charter Schools, seek immediate repayment for any amounts due to the Charter, and substantiate and repay any amounts due to outside organizations if deemed legitimate. Additionally, we recommend that the Charter refer to the *Charter School Accounting and Best Practices Manual* issued by FCMAT to assist in improving its internal control processes.

**GRANITE MOUNTAIN CHARTER SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING 2020-001: INTERNAL CONTROLS OVER RELATED PARTY TRANSACTIONS (30000) (continued)

Corrective Action Plan: The board and management of Granite Mountain Charter School have been transparent with our charter school authorizer and we have taken the following actions to remedy this issue:

- Terminated the relationship with Inspire Charter Services and removed all administrative access to Granite Mountain accounts
- Sent two employees to CBO training with Charter School Development Center Contracted with a forensic auditor to review the transactions
- Established a new bank account that only Granite Mountain has access to, including setting up positive pay on all transactions
- Hold weekly cash calls to discuss finances
- Established multiple levels of approval in place for expenditures, including internal controls for purchases and payroll
- Set up limitations on the number of account viewers/users
- Terminated the relationship with Charter Impact
- Contracted with a new back office, following a fair bidding process
- Revised our Fiscal Policies and Procedures Manual in accordance with FCMAT Operations Manual recommendations
- Held a board training on fiscal policies and procedures
- Filed litigation against Inspire Charter Services/Provenance to seek repayment of missing funds
- Sent letters to schools requesting repayment of funds that they hold

Current Status: Implemented.