



Innovations Academy Charter School

San Diego, CA

Financial Statements &
Supplemental Information

Year Ended June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Innovations Academy Charter School
Financial Statements & Supplemental Information
Year Ended June 30, 2019

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	3
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements.....	7
SUPPLEMENTARY INFORMATION	17
Organization Structure.....	24
Schedule of Average Daily Attendance	25
Schedule of Instructional Time.....	26
Schedule of Financial Trends and Analysis.....	27
Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements.....	28
Notes to Supplementary Information.....	29
OTHER INDEPENDENT AUDITORS’ REPORTS	30
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 <i>Government Auditing Standards</i> ..	31
Independent Auditor’s Report on State Compliance	33
AUDITOR’S RESULTS, FINDINGS & RECOMMENDATIONS	36
Schedule of Auditor’s Results	39
Schedule of Findings and Questioned Costs.....	40
Schedule of Prior Year Audit Findings.....	41



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Independent Auditor's Report

To the Board of Directors
Innovations Academy Charter School
San Diego, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Innovations Academy Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 Innovations Academy Charter School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, the School has adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying additional supplementary information, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019, on our consideration of Innovations Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Innovations Academy Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Innovations Academy Charter School's internal control over financial reporting and compliance.

El Cajon, California
December 15, 2019

Financial Statements

Innovations Academy Charter School

Statement of Financial Position

June 30, 2019

Assets

Cash and cash equivalents	\$ 1,811,964
Accounts receivable	359,549
Prepaid expenses	77,368
Property and equipment, net	31,667
Total Assets	<u>\$ 2,280,548</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 18,523
Accounts payable grantor governments	57,746
Total Liabilities	<u>76,269</u>

Net Assets

Without donor restrictions

Undesignated	2,161,254
Invested in property and equipment, net of related debt	31,667
	<u>2,192,921</u>

With donor restrictions

Restricted for state programs	11,358
	<u>11,358</u>
Total Net Assets	<u>2,204,279</u>
Total Liabilities and Net Assets	<u>\$ 2,280,548</u>

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

Innovations Academy Charter School

Statement of Activities

June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 743,930	\$ -	\$ 743,930
Education protection account state aid	78,674	-	78,674
Transfers in lieu of property taxes	2,477,971	-	2,477,971
Total LCFF sources	<u>3,300,575</u>	<u>-</u>	<u>3,300,575</u>
Federal contracts and grants	-	99,384	99,384
State contracts and grants	216,935	259,279	476,214
Local contracts and grants	46,745	-	46,745
Donations	70,212	-	70,212
Interest income	18,739	-	18,739
Net assets released from restriction -			
Grant restrictions satisfied	<u>347,305</u>	<u>(347,305)</u>	<u>-</u>
Total revenue, support, and gains	<u>4,000,511</u>	<u>11,358</u>	<u>4,011,869</u>
Expenses and Losses			
Program services expense	2,855,450	-	2,855,450
Supporting services expense	697,324	-	697,324
Total expenses and losses	<u>3,552,774</u>	<u>-</u>	<u>3,552,774</u>
Change in Net Assets	447,737	11,358	459,095
Net Assets, Beginning of Year	1,745,184	-	1,745,184
Net Assets, End of Year	<u>\$ 2,192,921</u>	<u>\$ 11,358</u>	<u>\$ 2,204,279</u>

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

Innovations Academy Charter School

Statement of Functional Expenses

June 30, 2019

	Program Services	Supporting Services		Total
	Educational Programs	Management and General	Fundraising and Development	
Salaries and Wages	1,818,965	384,709	-	2,203,674
Pension expense	192,067	40,622	-	232,689
Other employee benefits	234,576	49,613	-	284,189
Payroll taxes	65,050	13,758	-	78,808
Fees for services:				
Management	-	79,683	-	79,683
Legal	-	7,238	-	7,238
Accounting	-	12,860	-	12,860
Other fees consultants	96,448	23,582	-	120,030
Other fees bank and service fees	-	11,299	-	11,299
Other fees district oversight	-	30,009	-	30,009
Advertising and promotion	1,720	-	-	1,720
Office expenses	12,610	-	-	12,610
Information technology	6,192	-	-	6,192
Occupancy	141,353	-	-	141,353
Travel	-	15,044	-	15,044
Conferences, conventions, and meetings	23,134	-	-	23,134
Depreciation	10,000	-	-	10,000
Insurance	-	23,329	-	23,329
Other expenses:				
Books and supplies	123,319	-	-	123,319
Student transportation	89,732	-	-	89,732
Equipment rental and repair	29,529	-	-	29,529
Miscellaneous	-	5,578	10,755	16,333
Total expenses by function	2,844,695	697,324	10,755	3,552,774
Total expenses included in the expense section on the statement of activities	\$ 2,844,695	\$ 697,324	\$ 10,755	\$ 3,552,774

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

Innovations Academy Charter School

Statement of Cash Flows

June 30, 2019

Cash Flows from Operating Activities

Receipts from federal, state, and local contracts and grants	\$ 1,380,822
Receipts from property taxes	2,477,971
Receipts from contributions or donations	70,212
Other cash receipts	18,739
Payments for salaries, benefits and payroll taxes	(2,799,360)
Payments to vendors	(734,901)
Net Cash from Operating Activities	<u>413,483</u>

Net Change in Cash and Cash Equivalents 413,483

Cash and Cash Equivalents - Beginning of Year 1,398,481

Cash and Cash Equivalents - End of Year \$ 1,811,964

Reconciliation of Change in Net Assets to Net Cash from Operating Activities

Change in net assets	459,095
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	10,000
Realized and unrealized (gain) loss on operating investments	
Changes in operating assets and liabilities	
Accounts receivable	(64,178)
Prepaid expenses	29,076
Accounts payable	(20,563)
Accounts payable grantor governments	53
Net Cash from Operating Activities	<u><u>413,483</u></u>

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

Innovations Academy Charter School

Notes to the Financial Statements

June 30, 2019

A. Organization and Significant Accounting Policies

Organization

Innovations Academy Charter School (the School) was incorporated in the State of California on May 22, 2007, under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The School petitioned and was approved through the San Diego Unified School District for a five-year period ending June 30, 2018. The School was approved by the State of California of Education on May 27, 2008.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due to the School for federal, state, and local grants and contracts receivable. The amounts in accounts receivable are considered fully collectable and as such there has not been an allowance for uncollectable accounts or discount established for the School.

Property and Equipment

The School records property and equipment additions over \$5,000 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 resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

The School 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, 2019.

Investments

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on 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.

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed 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 (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

The School recognizes revenue from sales when the products are transferred and services are provided. The school records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, 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 schools federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. Consequently, at June 30, 2019 there were no conditional contributions, federal, state and local contracts and grants for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions

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

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$1,720 for the year ended June 30, 2019.

Functional Allocation of Expenses

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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2019, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2019.

The School files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

Estimates

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

Financial Instruments and Credit Risk

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses 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 government agencies. Investments are made by diversified investment managers whose performance is monitored by the School and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year to year basis, the School believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Change in Accounting Principles

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The School has adopted these provisions in the accompanying financial statements.

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. The School has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The School has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Subsequent Events

The School has evaluated subsequent events through December 15, 2019, the date the financial statements were available to be issued.

B. Liquidity and Availability

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

Cash and cash equivalents	\$	1,811,964
Accounts receivable		359,549
	\$	<u>2,171,513</u>

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

C. Fair Value Measurements and Disclosures

The School reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the School develops inputs using the best information available in the circumstances

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the School's assessment of the quality, risk, or liquidity profile of the asset or liability.

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

A significant portion of the School's investment assets are classified within Level 1 because they comprise open end mutual funds with readily determinable fair values based on daily redemption values. The School invests in CDs traded in the financial markets and additionally has funds at the San Diego County Treasury which invests funds in various markets such as CDs, money market, and U.S. government obligations. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2019:

	Fair Value Measurements at Report Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total			
Operating investments			
Cash in county treasury	\$ 1,449,109	\$ 1,449,109	\$ -
	\$ 1,449,109	\$ 1,449,109	\$ -

D. Cash and Cash Equivalents

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

Cash in county treasury	\$ 1,449,109
Cash in bank accounts	362,855
Total cash and cash equivalents	\$ 1,811,964

Cash in County Treasury

The School is a voluntary participant and therefore maintains a portion of its cash in the San Diego County Treasury as part of the common investment pool (\$1,449,109 as of June 30, 2019). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School's investment in this pool is reported in the accompanying financial statements at amounts based upon the School's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis. Cash may be added or withdrawn from the investment pool without limitation.

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

Cash in Bank

The remainder of the School's cash (\$362,855 as of June 30, 2019) is held in financial institutions which are either insured by the Federal Deposit Insurance School (FDIC) up to a limit of \$250,000 per depositor or certain non-interest-bearing accounts that are fully insured by the FDIC. As of June 30, 2019, the School held \$74,335 in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

E. Accounts Receivable

As of June 30, 2019, accounts receivable consisted of the following:

Federal Government		
Special Education	\$	50,584
Other Federal Programs		5,791
State Government		
Lottery Funding		26,432
Special Education		31,841
Local Government		
Property tax payments		238,047
Other Local Sources		
Interest		6,461
Other local sources		393
Total Accounts Receivable	\$	<u>359,549</u>

F. Property and Equipment

Property and equipment consisted of the following at June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable Capital Assets				
Equipment, Furniture, and Fixtures	50,000	-	-	50,000
Total Depreciable Capital Assets	50,000	-	-	50,000
Total Capital Assets	50,000	-	-	50,000
Less Accumulated Depreciation	(8,333)	(10,000)	-	(18,333)
Capital Assets, Net	<u>41,667</u>	<u>(10,000)</u>	<u>-</u>	<u>31,667</u>

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

G. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

Subject to expenditure for specified purpose:	
Educational Programs	\$ 11,358
	11,358
Total net assets with donor restrictions	\$ 11,358

H. Employee Retirement System

Qualified employees are covered under a multiple-employer defined benefit pension plan by an agency of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Schools choose to stop participating in some of its multi-employer plans, the Schools may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Schools participation in these plans for the fiscal year ended June 30, 2019, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2019, 2018 and 2017 is for the plan's year-end at June 30, 2019, 2018 and 2017, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Period to Period Comparability:

Innovations Academy Charter School increased in CalSTRS contributions from 2017 to 2018 by 19.55% followed by an increase in 2019 of 14.12%. The increase in 2018 and 2019 were in large due to rising contribution rates along with rising student population resulting in additional teachers.

	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30,			FIP/RP Status Pending/ Implemented
Pension Fund	Number	2019	2018	2017	Implemented
CalSTRS	26-0418421	Yellow	Yellow	Yellow	No

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

Pension Fund	Contributions			Number of Employees	Surcharge Imposed
	2019	2018	2017		
CalSTRS	\$ 232,689	\$ 203,893	\$ 170,551	NEED	No
Total	\$ 232,689	\$ 203,893	\$ 170,551	0	

CalSTRS:

The 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. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level of percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2019, active plan members were required to contribute between 10.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 16.28% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2019 the State contributed \$XXX,XXX (15.412% of certificated salaries) on behalf of the School.

I. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective during the 2019-20 fiscal year:

1. FASB ASU 2019-04 *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
2. FASB ASU 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors*
3. FASB ASU 2018-16 *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a benchmark Interest Rate for Hedge Accounting Purposes*
4. FASB ASU 2018-11 *Leases (Topic 842): Targeted Improvements*
5. FASB ASU 2018-10 *Improvements to Topic 842, Leases*
6. FASB ASU 2018-09 *Codification Improvements*
7. FASB ASU 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
8. FASB ASU 2018-02 *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*
9. FASB ASU 2018-01 *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*
10. FASB ASU 2017-15 *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995*
11. FASB ASU 2017-12 *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*
12. FASB ASU 2017-10 *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services*

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

Innovations Academy Charter School

Notes to the Financial Statements, Continued

June 30, 2019

13. FASB ASU 2017-07 *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*
14. FASB ASU 2017-06 *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting*
15. FASB ASU 2017-01 *Business Combinations (Topic 805): Clarifying the Definition of a Business*
16. FASB ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*
17. FASB ASU 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*
18. FASB ASU 2016-02 *Leases (Topic 842)*

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the 2019-20 fiscal year will not impact the financial accounting or presentation for the Foundation.

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

Supplementary Information

Innovations Academy Charter School

Organization Structure

June 30, 2019

Innovations Academy Charter School (Charter #1024) was established in 2008. The authorizing entity is San Diego Unified School District. Innovations Charter School provides services for Kindergarten through Eighth Grade.

GOVERNING BOARD

Name	Office	Term and Term Expiration
Nathan Cooper	President	Three Year Term Expires October 2019
Stephan Rosen	Treasurer	Three Year Term Expires February 2019
Keely Moore	Secretary/Teacher Representative	Three Year Term Expires January 2020
Faraz Sharafi	Parent Representative	Three Year Term Expires January 2020
Danielle Strachman	Board Member	Three Year Term Expires December 2018

ADMINISTRATION

Christine Kuglen
Director

Innovations Academy Charter School

Schedule of Average Daily Attendance

Year Ended June 30, 2019

	Second Period Report		Annual Report	
	Original 3815A229	Revised N/A	Original 2C866087	Revised N/A
Classroom Based Attendance				
Grades TK/K-3	144.66	N/A	144.34	N/A
Grades 4-6	112.15	N/A	112.15	N/A
Grades 7-8	67.82	N/A	67.32	N/A
Total Classroom Based Attendance	324.63	N/A	323.81	N/A
Non-Classroom Based Attendance				
Grades TK/K-3	43.30	N/A	42.94	N/A
Grades 4-6	20.15	N/A	20.11	N/A
Grades 7-8	5.29	N/A	4.94	N/A
Total Non-Classroom Based Attendance	68.74	N/A	67.99	N/A
Total ADA	393.37	N/A	391.80	N/A

Innovations Academy Charter School

Schedule of Instructional Time

Year Ended June 30, 2019

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	36,000	50,400	177	Complied
1st Grade	50,400	57,450	177	Complied
2nd Grade	50,400	57,450	177	Complied
3rd Grade	50,400	57,450	177	Complied
4th Grade	54,000	57,450	177	Complied
5th Grade	54,000	57,450	177	Complied
6th Grade	54,000	57,450	177	Complied
7th Grade	54,000	57,450	177	Complied
8th Grade	54,000	57,450	177	Complied

Innovations Academy Charter School

Schedule of Financial Trends and Analysis

Year Ended June 30, 2019

	Budget 2020	2019	2018	2017
Revenues	\$ 3,885,773	\$ 4,011,869	\$ 3,442,726	\$ 3,469,927
Expenses	3,871,625	3,559,205	3,459,053	3,366,122
Change in Net Assets	14,148	452,664	(16,327)	103,805
Ending Net Assets	<u>\$ 2,211,996</u>	<u>\$ 2,197,848</u>	<u>\$ 1,745,184</u>	<u>\$ 1,761,511</u>
Unrestricted Net Assets	<u>\$ 2,200,638</u>	<u>\$ 2,186,490</u>	<u>\$ 1,745,184</u>	<u>\$ 1,761,511</u>
Unrestricted net assets as a percentage of total expenses	<u>56.84%</u>	<u>61.43%</u>	<u>50.45%</u>	<u>52.33%</u>
Total Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,640</u>
ADA at P2	<u>NEED</u>	<u>393</u>	<u>356</u>	<u>374</u>

The School's ending net assets has increased by \$436,337 (24.77%) over the past three fiscal years. The increase is in large due to an increase in student population combined with efficiencies in spending. The average daily attendance (ADA) reported by the School has increased by 19 (5.1%) over the past three years. The 2018-19 fiscal year budget projects an increase in net assets of \$14,148 (.64%) and an increase in ADA of (%).

Innovations Academy Charter School

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements Year Ended June 30, 2019

June 30, 2019 annual financial alternative form net assets:	\$ 2,197,848
Adjustments and reclassifications:	
Total adjustments and reclassifications	<u> -</u>
June 30, 2019 audited financial statements net assets:	<u><u> \$ 2,197,848</u></u>

Innovations Academy Charter School

Notes to Supplementary Information

Year Ended June 30, 2019

A. Purpose of Schedules

Organization Structure

This schedule provides information about the schools' charter numbers, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure of the number of pupils attending classes of the schools. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 46200 through 46206. Charter schools must maintain their instructional minutes at the 1986-87 requirements as adjusted by Education Code sections later adopted. The schools neither met nor exceeded their LCFF target.

Schedule of Financial Trends and Analysis

Budget information for 2019 is presented for analysis purposes only and is based on estimates of the 2018-19 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Forms prepared by the schools to the net assets reported in the audited financial statements.

Other Independent Auditors' Reports

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*

To the Board of Directors
Innovations Academy Charter School
San Diego, CA

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 Innovations Academy Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

El Cajon, California
December 15, 2019

Independent Auditor's Report on State Compliance

To the Board of Directors
Innovations Academy Charter School
San Diego, CA

Report on State Compliance

We have audited the Corporation's compliance with the types of compliance requirements described in the *2018-19 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 the school's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

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 applicable program as identified in the State's audit Guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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 State's audit guide *2018-19 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 and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each 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. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools	
A. Attendance.....	N/A
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
D. Independent Study.....	N/A
E. Continuation Education.....	N/A
F. Instructional Time.....	N/A
G. Instructional Materials.....	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	N/A
L. School Accountability Report Card.....	N/A
M. Juvenile Court Schools.....	N/A
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
P. Transportation Maintenance of Effort.....	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	N/A
S. District of Choice.....	N/A
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
Charter Schools	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	N/A

The term N/A is used above to mean either the school did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Innovations Academy Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

El Cajon, California
December 15, 2019

Auditor's Results, Findings & Recommendations

Innovations Academy Charter School

Schedule of Auditor's Results

Year Ended June 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

_____ Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)?

_____ Yes X No

Noncompliance material to financial statements noted?

_____ Yes X No

STATE AWARDS

Any audit findings disclosed that are required to be reported
in accordance with *2018-19 Guide for Annual Audits
of California K-12 Local Education Agencies?*

_____ Yes X No

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

Unmodified

Innovations Academy Charter School

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

There are no findings to report.

B. State Award Findings

There are no findings to report.

Innovations Academy Charter School

Schedule of Prior Year Audit Findings

Year Ended June 30, 2019

Finding/Recommendation	Status	Explanation if Not Implemented
There were no findings reported in the prior year audit.	N/A	N/A