

ACADEMY OF MEDIA ARTS
Charter No. 2038
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2020

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& NIGRO^{PC}

ACADEMY OF MEDIA ARTS
For the Fiscal Year Ended June 30, 2020
Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7

SUPPLEMENTARY INFORMATION

Local Education Agency Organizational Structure	15
Schedule of Average Daily Attendance.....	16
Schedule of Instructional Time.....	17
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	18
Note to the Supplementary Information	19

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' 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>	20
Independent Auditors' Report on State Compliance	22

FINDINGS AND RECOMMENDATIONS

Schedule of Audit Findings and Recommendations:	
Summary of Auditors' Results	24
Current Year Audit Findings and Recommendations.....	25
Summary Schedule of Prior Audit Findings	28

Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Academy of Media Arts
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Academy of Media Arts (a California nonprofit Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the fiscal 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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

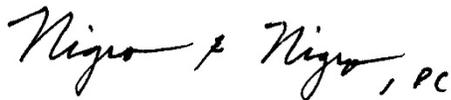
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Media Arts as of June 30, 2020, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. The information on page 15 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of the Academy of Media Arts' 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 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 School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Murrieta, California
April 12, 2021

ACADEMY OF MEDIA ARTS
Statement of Financial Position
June 30, 2020

ASSETS

Current assets:

Cash (Note 3)	\$	10,105
Accounts receivable (Note 4)		67,664
Prepaid security deposit		9,500
Total current assets		<u>87,269</u>

Noncurrent assets:

Property and equipment (Note 5):		
Depreciable assets		13,324
Less, accumulated depreciation		(4,441)
Property and equipment, net		<u>8,883</u>

Total Assets	\$	<u>96,152</u>
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LIABILITIES AND NET ASSETS

Liabilities

Current liabilities:

Accounts payable	\$	424,382
Accrued expenses		9,386
Voluntary deductions payable		2,813
PPP loan payable (Note 9)		71,672
Revolving loan payable, current portion (Note 7)		25,002
Total current liabilities		<u>533,255</u>

Non-current liabilities (Note 7):

Revolving loan payable, non-current portion		<u>74,998</u>
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Total liabilities		<u>608,253</u>
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Net assets

Without donor restrictions		(514,021)
With donor restrictions (Note 6)		<u>1,920</u>

Total net assets		<u>(512,101)</u>
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Total Liabilities and Net Assets	\$	<u>96,152</u>
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ACADEMY OF MEDIA ARTS
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
LCFF sources	\$ 310,901	\$ -	\$ 310,901
Federal revenue	-	169,240	169,240
Lottery	4,376	1,410	5,786
Other state sources	18,558	510	19,068
Other local sources	65,935	-	65,935
Net assets released from restrictions	169,240	(169,240)	-
Total Revenues, Gains, and Other Support	<u>569,010</u>	<u>1,920</u>	<u>570,930</u>
EXPENSES			
Program Services:			
Education	528,554	-	528,554
Management and General:			
General administration	572,699	-	572,699
Total Expenses	<u>1,101,253</u>	<u>-</u>	<u>1,101,253</u>
Change in Net Assets	<u>(532,243)</u>	<u>1,920</u>	<u>(530,323)</u>
Net Assets, July 1, 2019	148,255	-	148,255
Adjustment for restatement (Note 11)	<u>(130,033)</u>	<u>-</u>	<u>(130,033)</u>
Net Assets, July 1, 2019, as restated	<u>18,222</u>	<u>-</u>	<u>18,222</u>
Net Assets, June 30, 2020	<u>\$ (514,021)</u>	<u>\$ 1,920</u>	<u>\$ (512,101)</u>

ACADEMY OF MEDIA ARTS
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(530,323)
Depreciation expense		4,441
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
(Increase) decrease in operating assets:		
Accounts receivable		222,893
Prepaid security deposit		10,500
Increase (decrease) in operating liabilities:		
Accounts payable		322,213
Accrued expenses		<u>(917)</u>
Net cash provided (used) by operating activities		<u>28,807</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payment on revolving loan		(111,282)
Proceeds from PPP loan		<u>71,672</u>
Net cash provided (used) by financing activities		<u>(39,610)</u>

Net increase (decrease) in cash		(10,803)
Beginning cash, July 1, 2019		<u>20,908</u>
Ending cash, June 30, 2020	\$	<u><u>10,105</u></u>

SUPPLEMENTAL DISCLOSURE

Cash paid for interest expense	\$	<u><u>2,586</u></u>
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ACADEMY OF MEDIA ARTS
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2020

	<u>Program Services</u>		
	<u>Education</u>	<u>Management & General</u>	<u>Total Expenses</u>
Salaries and benefits:			
Certificated salaries	\$ 184,023	\$ 152,392	\$ 336,415
Classified salaries	24,448	42,789	67,237
Employee benefits	43,485	36,773	80,258
Total salaries and benefits	<u>251,956</u>	<u>231,954</u>	<u>483,910</u>
Supplies and operating expenses:			
Books and Supplies	126,040	426	126,466
Services and other operating expenses	146,339	327,964	474,303
Depreciation	4,219	222	4,441
Other outgo	-	12,133	12,133
Total supplies and operating expenses	<u>276,598</u>	<u>340,745</u>	<u>617,343</u>
Total Expenses	<u>\$ 528,554</u>	<u>\$ 572,699</u>	<u>\$ 1,101,253</u>

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Academy of Media Arts (the “School”) is a non-profit public benefit corporation that was incorporated October 6, 2016. The School became a charter school that was petitioned through the Los Angeles Unified School District (LAUSD) and approved by the State of California Department of Education on January 8, 2019. The School's most recent charter was approved through the County for a five-year period ending in July 2024.

The School is located within the Crenshaw/Baldwin Village community of Los Angeles. Academy of Media Arts has a private facility located at 2009 W. Martin Luther King Blvd. in Los Angeles. The School has adopted a slow growth model of adding a grade level each year. During 2019-2020, the School started with Grade 9. Each subsequent year, Academy of Media Arts will add a grade level to ensure the fiscal sustainability of its organization.

Academy of Media Arts is committed to creating an environment that merges science, technology, engineering, arts, and math (STEAM) into a cultivating bridge for new media arts and related areas of career development opportunities within the digital age.

B. Basis of Presentation and Accounting

The School accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*.

The financial statements of the School have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. 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 January 1, 2018 and addresses general-purpose external financial statements appropriate for not-for-profit organizations.

Under the provisions of the ASC 958-205, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. The School’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by the actions of the not-for-profit organization to satisfy a particular purpose restriction, or by the passage of time. Some donor restrictions are perpetual (or permanent) in nature, whereby the donor has stipulated the funds be maintained in perpetuity, whereby the corpus of the donation must remain unspent.

C. Revenue and Revenue Recognition

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

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Donated Materials and Supplies

Donated materials and supplies are recorded as contributions at their estimated fair market value at the date of donation if a value can be reasonably determined. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

E. Contributed Services

During the year ended June 30, 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the School, but these services do not meet the criteria for recognition as contributed services.

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant estimates include the lives used for depreciation of property and equipment and allocation of costs between the various programs and expense categories. Actual results could differ from those estimates.

G. Income Taxes

The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files information returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state tax purposes is generally three and four years, respectively.

H. Cash

The School considers certificates of deposit with a maturity date of 90 days or longer to be investments. At year-end and throughout the year, the School's cash balances were deposited in one financial institution. As of June 30, 2020, the School did not hold any cash as investments.

I. Accounts Receivable

Accounts receivable consists mainly of grants and contract payments from other public agencies. No allowance for uncollectable amounts has been estimated as creditworthiness of payors and industry experience provide evidence to support amounts as fully collectible.

J. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

K. Property and Equipment

It is the School's policy to capitalize property and equipment over \$5,000. Purchased property and equipment are reported at historical cost or estimated historical cost. Contributed assets are recorded as contributions at their estimated fair value as of the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or time of use. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Property and Equipment (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5 years

L. Unearned Revenues

Unearned revenues represent payments received in advance for services that have not yet been performed or from cost-reimbursement grants for which expenses have not yet been incurred.

M. Fair Value Measurements

In accordance with fair value measurements, the School categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The School has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the School's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

N. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, as shown in the Statement of Functional Expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy / rent	Facilities square footage
Insurance	Policy type and nature of coverage
Utilities	Facilities square footage
Supplies	Time and effort
Depreciation	Facilities square footage

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 2 – LIQUIDITY

The School's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

Cash and cash equivalents	\$	10,105
Accounts receivable		67,664
Other current assets		9,500
Less: restricted cash		<u>(1,920)</u>
Total	\$	<u>85,349</u>

The School's policy for liquidity management requires that it structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 3 – CASH

Cash at June 30, 2020, is reported at fair value and consisted of the following:

Cash in banks, non-interest bearing	\$	1,564
Cash in banks, interest bearing		<u>8,541</u>
Total cash	\$	<u>10,105</u>

As of June 30, 2020, none of the School's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable outstanding at June 30, 2020 consisted of the following:

Federal Government:		
Public charter schools grant program	\$	61,878
State Government:		
Lottery		<u>5,786</u>
Total accounts receivable	\$	<u>67,664</u>

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2020 consisted of the following:

	Balance, July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Property and equipment being depreciated:				
Equipment	\$ -	\$ 13,324	\$ -	\$ 13,324
Less accumulated depreciation:				
Equipment	-	(4,441)	-	(4,441)
Property and equipment, net	<u>\$ -</u>	<u>\$ 8,883</u>	<u>\$ -</u>	<u>\$ 8,883</u>

Depreciation expense for the year ended June 30, 2020, is \$4,441.

NOTE 6 – NET ASSETS

Donor-restricted net assets at June 30, 2020 were comprised of the following amounts and restrictions:

Net assets with donor restrictions:

Lottery: Instructional Materials	\$ 1,410
Covid 19 SB117	<u>510</u>
Total net assets	<u>\$ 1,920</u>

These amounts are presented within net assets with donor restrictions on the Statement of Financial Position.

NOTE 7 – LONG-TERM LIABILITIES

On July 1, 2019, the Academy of Media Arts received a \$100,000 disbursement from the Charter School Revolving Loan Fund Program through the California School Finance Authority. The School is authorized to borrow up to \$250,000 through this program. The term of the loan is four years and carries interest at a rate of 2.40%. Repayments are to be made from August through January, beginning in August 2020, until January 2024.

A schedule of changes in long-term liabilities for the year ended June 30, 2020, is shown below:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due in One Year
Charter school revolving loan	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 25,002</u>

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES (continued)

Future payment obligations under this loan are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	\$ 25,002	\$ 3,491	\$ 28,493
2021-2022	25,002	1,674	26,676
2022-2023	25,002	1,076	26,078
2023-2024	24,994	476	25,470
Totals	<u>\$ 100,000</u>	<u>\$ 6,717</u>	<u>\$ 106,717</u>

NOTE 8 – OTHER LOCAL REVENUE SOURCES

The School generates other income from various local sources during the year. Other local revenue consists of the following for the year ended June 30, 2020:

Other contributions	\$ 55,729
In-kind contributions	10,200
Interest	<u>6</u>
Total other local revenue sources	<u>\$ 65,935</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Facilities Use Agreements

On April 16, 2019, the School entered into a sublease agreement (Agreement) with Learning by Design Charter Schools (LBDCS) for the property located at 2009 West Martin Luther King Jr. Boulevard, Los Angeles, California 90062. The single-year term of the Agreement expires June 30, 2020. Per the Agreement, LBDCS will charge \$10,500 base rent payable on the first day of each month, commencing July 1, 2019.

C. Paycheck Protection Program (PPP) Loan

On April 24, 2020, the Organization received a PPP loan in the amount of \$71,672 from the Small Business Administration (SBA). The SBA will forgive the loan if all employee retention criteria are met and the funds are used for eligible expenses. The Organization expects to meet the criteria, at which time it will apply for forgiveness of the loan.

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

D. Impact of COVID-19

On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a “distance learning” environment.

In response, the School announced the closing of school in mid-March. With nearly all schools in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver “grab and go” meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the School worked to implement distance learning for all students for the remainder of the 2019-20 school year, and implemented virtual instruction on March 17, 2020.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the School to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the School’s operations are not fully known at this time.

NOTE 10 – FINANCIAL CONDITION

While Academy of Media Arts did end the 2019-20 fiscal year with a negative fund balance, there is a plan consistent with expected growth to bring that to a positive balance within the next several years. The primary challenges in 2019-20 were reducing budgeted expenditures as quickly as possible and maintaining positive cash flow, which it did. Moving into year two (2020-21), enrollment has grown from 31 to 95 students with the addition of 10th grade, and it has worked to optimize necessary staffing to meet student needs in an online environment. At Second Interim, the revised budget shows a projected net income for 2020-21 of \$168,343 and, as the year comes to a close, management expects that the projected net income should be higher due to additional reductions in planned spending. The School has met all the requirements for forgiveness of the 2019-20 PPP loan, which should be another increase to 2020-21 net income of over \$70,000. Current year cash flow is positive, and the School received an exemption from the February-May 2020 LCFF deferrals. Another application for exemption from the June deferral has been submitted. Enrollment for 2021-22 was projected to be at least 90 with the addition of 11th grade; current enrollment for 2021-22 now stands at 95 and is increasing with five months remaining before the start of the new school year.

NOTE 11 – ADJUSTMENT FOR RESTATEMENT

Due to economic activity occurring prior to the School’s first year of operations, a restatement of beginning net assets in the amount of \$148,255 was reported on the unaudited actuals. During the audit, several items on the fixed asset register were reported incorrectly as capital assets and reclassified as expenses. As a result, an audit adjustment was made to beginning net assets in the amount of (\$130,033).

ACADEMY OF MEDIA ARTS

Notes to Financial Statements

June 30, 2020

NOTE 12 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2020, have been evaluated through April 12, 2021, the date at which the School's audited financial statements were available to be issued. No events requiring disclosures have occurred through this date.

Economic Conditions

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. AMA board of directors has drafted a 3 year strategic plan to ensure AMA fiscal sustainability is not negatively impacted by the COVID- 19 pandemic. AMA board of directors is currently in phase one of its strategic plan.

Supplementary Information

ACADEMY OF MEDIA ARTS

Local Education Agency Organizational Structure

June 30, 2020

Academy of Media Arts (the “School”) is a non-profit public benefit corporation that was incorporated October 6, 2016. The School became a charter school that was petitioned through the Los Angeles Unified School District (LAUSD) and approved by the State of California Department of Education on January 8, 2019. The School's most recent charter was approved through the County for a five-year period ending in July 2024.

BOARD OF DIRECTORS

Name	Office	Term and Term Expiration
John White	President	2021
Chelsea Staebell	Vice President	2021
Afeez Tijani	Treasurer	2021
Jenny Vinopal	Secretary	2023

CHARTER ADMINISTRATOR

Dana Hammond,
Chief Executive Officer

ACADEMY OF MEDIA ARTS
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

	Originally Reported		As Audited	
	Second Period Report	Annual Report	Second Period Report	Annual Report
	Certificate No. 981049E0	Certificate No. FE05F709	Audited	Audited
Regular ADA:				
Grades 9-12	29.27	29.27	29.29	29.29

All average daily attendance is generated through classroom-based instruction.

ACADEMY OF MEDIA ARTS
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2020

<u>Grade Level</u>	<u>Required</u>	<u>2019-20 Offered Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	67,800	180	Complied

ACADEMY OF MEDIA ARTS*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2020*

	<u>Statement of Financial Position</u>
June 30, 2020, Annual Financial and Budget Report net assets	\$ (342,926)
Adjustments and reclassifications:	
Increase (decrease) in total net assets:	
Accounts receivable overreported	(25,293)
Depreciable assets overreported	(158,234)
Accounts payable overreported	<u>14,352</u>
Net adjustments and reclassifications	<u>(169,175)</u>
June 30, 2020, audited financial statement net assets	<u><u>\$ (512,101)</u></u>

ACADEMY OF MEDIA ARTS

Note to the Supplementary Information

June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts and 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 the School complied with the provisions of Education Code Sections 47612 and 47612.5. The instructional time presented in this schedule includes the days that the School was closed due to the COVID-19 pandemic.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance reported on the Unaudited Actual financial report to the audited financial statements.

Other Independent Auditors' Reports



INDEPENDENT AUDITORS' 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*

Board of Directors
Academy of Media Arts
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Academy of Media Arts (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Academy of Media Arts' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy of Media Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy of Media Arts' 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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

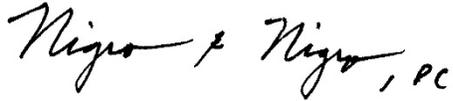
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Academy of Media Arts' financial statements are free of 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
April 12, 2021



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Academy of Media Arts
Los Angeles, California

Report on State Compliance

We have audited Academy of Media Arts' compliance with the types of compliance requirements described in the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Academy of Media Arts' state government programs as noted on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Academy of Media Arts' state programs based on our audit of the types of compliance requirements referred to on the following page. 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 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Academy of Media Arts' 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 state program. However, our audit does not provide a legal determination of Academy of Media Arts' compliance.

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

Table with 2 columns: Description, Procedures Performed. Rows include School Districts, County Offices of Education, and Charter Schools; California Clean Energy Jobs Act; After/Before School Education and Safety Program; Proper Expenditure of Education Protection Account Funds; Unduplicated Local Control Funding Formula Pupil Counts; Local Control and Accountability Plan; Independent Study - Course Based.

Description	Procedures Performed
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

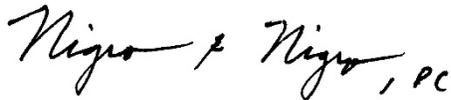
In our opinion, Academy of Media Arts complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and recommendations as Finding 2020-001. Our opinion on each state program is not modified with respect to this matter.

School's Response to Finding

Academy of Media Arts' response to the compliance finding identified in our audit is described in the accompanying schedule of findings and recommendations. Academy of Media Arts' response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
April 12, 2021

Findings and Recommendations

ACADEMY OF MEDIA ARTS

*Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2020*

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

*The Academy expended less than \$750,000 in federal awards in fiscal year 2019-20;
therefore, a Single Audit pursuant to OMB Uniform Guidance was not performed.*

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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ACADEMY OF MEDIA ARTS

*Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2020*

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

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

There were no financial statement findings in 2019-20.

ACADEMY OF MEDIA ARTS

Schedule of Audit Findings and Recommendations

For the Fiscal Year Ended June 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

The School expended less than \$750,000 on federal awards in 2019-20, therefore, a Single Audit pursuant to OMB Uniform Guidance was not performed.

ACADEMY OF MEDIA ARTS

Schedule of Audit Findings and Recommendations For the Fiscal Year Ended June 30, 2020

SECTION IV - STATE AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2020-001: Classroom-Based Instruction (10000)

Criteria: California Code of Regulations (CCR) Section 11960, defines “attendance”, for use in calculating charter school ADA, as occurring when “charter school pupils [are] engaged in educational activities required of them by their charter schools on days when school is actually taught in their charter schools”. “Regular average daily attendance” shall be computed by dividing a charter school's total number of pupil-days of attendance by the number of calendar days on which school was actually taught in the charter school. For purposes of determining a charter school's total number of pupil-days of attendance, no pupil may generate more than one day of attendance in a calendar day.

Condition: Academy of Media Arts misreported two days of attendance on the P-2 report compared to the system generated report.

Context: The error was found through tracing attendance per the attendance system reports and recalculating ADA.

Cause: The School site personnel failed to verify attendance per the system when calculating ADA.

Effect: As a result of this finding, the P-2 and Annual ADA were underreported by 0.02. When multiplied by the School's “Grades 9-12 Current Year Adjusted Base Grant per ADA” of \$9,572, the error results in an increase of \$192 in LCFE funding.

Recommendation: We recommend that School personnel verify that attendance from the attendance system matches the records used to report ADA to the State once ADA is reported again.

Views of Responsible Officials: School staff have received additional training and support on the attendance system and additional oversight is being provided as monthly attendance reports are completed. If necessary, prior months' reports are revised to maintain consistent reporting from the detail student attendance records with every required state report.

ACADEMY OF MEDIA ARTS
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

The School was not in operation in 2018-19.