



AUDIT REPORT

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

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

Academy of Media Arts (Charter No. 2038)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Academy of Media Arts
Los Angeles, California

Report on the Financial Statements**Opinion**

We have audited the accompanying financial statements of Academy of Media Arts (the "Charter") which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Media Arts as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Academy of Media Arts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy of Media Arts ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Academy of Media Arts internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Academy of Media Arts ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, 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 14, 2022, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Academy of Media Arts internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 15, 2022

ACADEMY OF MEDIA ARTS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 88,502
Accounts receivable	220,431
Security deposits, current portion	<u>15,924</u>
Total current assets	<u>324,857</u>
 Noncurrent assets	
Security deposits	242,677
Capital assets, net	-
Total Assets	<u>\$ 567,534</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 203,254
Deferred revenue	71,962
Loans payable	<u>55,431</u>
Total liabilities	<u>330,647</u>
 Net assets	
Without donor restrictions	236,209
With donor restrictions	<u>678</u>
Total net assets	<u>236,887</u>
Total Liabilities and Net Assets	<u>\$ 567,534</u>

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

**ACADEMY OF MEDIA ARTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 828,380	\$ -	\$ 828,380
Federal revenues	340,678	-	340,678
Other state revenues	268,757		268,757
Total federal and state support and revenues	<u>1,437,815</u>	-	<u>1,437,815</u>
Local support and revenues			
Payments in lieu of property taxes	267,145	-	267,145
Grants and donations	231,437		231,437
Investment income, net	5	-	5
Other local revenues	484	-	484
Total local support and revenues	<u>499,071</u>		<u>499,071</u>
Total Support and Revenues	<u>1,936,886</u>	-	<u>1,936,886</u>
EXPENSES			
Program services	1,008,122	-	1,008,122
Management and general	579,415	-	579,415
Total Expenses	<u>1,587,537</u>	-	<u>1,587,537</u>
CHANGE IN NET ASSETS	349,349	-	349,349
Net Assets - Beginning	<u>(113,140)</u>	678	<u>(112,462)</u>
Net Assets - Ending	<u>\$ 236,209</u>	<u>\$ 678</u>	<u>\$ 236,887</u>

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

**ACADEMY OF MEDIA ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	\$ 257,158	\$ 181,551	\$ 438,709
Non-certificated salaries	116,431	82,414	198,845
Payroll taxes	42,383	29,452	71,835
Other employee benefits	12,256	8,517	20,773
Total personnel expenses	<u>428,228</u>	<u>301,934</u>	<u>730,162</u>
Non-personnel expenses			
Books and supplies	91,623	34,017	125,640
Insurance	8,866	6,161	15,027
Facilities	92,365	64,186	156,551
Professional services	335,036	129,537	464,573
Interest expense	-	3,118	3,118
Depreciation	4,441	-	4,441
Fees to authorizing agency	40,370	28,053	68,423
Other operating expenses	7,193	12,409	19,602
Total non-personnel expenses	<u>579,894</u>	<u>277,481</u>	<u>857,375</u>
Total Expenses	<u>\$ 1,008,122</u>	<u>\$ 579,415</u>	<u>\$ 1,587,537</u>

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

**ACADEMY OF MEDIA ARTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 349,349
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	4,441
Forgiveness of PPP loan	(66,070)
(Increase) decrease in operating assets	
Accounts receivable	27,576
Prepaid expenses	1,531
Security deposits, current portion	(249,101)
Increase (decrease) in operating liabilities	
Accounts payable	(19,004)
Deferred revenue	30,967
Net cash provided by (used in) operating activities	<u>79,689</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on loans payable	<u>(19,567)</u>
Net cash provided by (used in) financing activities	<u>(19,567)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,122
Cash and cash equivalents - Beginning	<u>28,380</u>
Cash and cash equivalents - Ending	<u>\$ 88,502</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 3,118</u>

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

**ACADEMY OF MEDIA ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Academy of Media Arts (the “Charter”) was formed as a nonprofit public benefit corporation on October 6, 2016 for the purpose of operating as a California public school located in Los Angeles, California. The Charter is numbered by the State Board of Education as California Charter No. 2038. 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. During the year ended June 30, 2022, Academy of Media Arts served grades 9 through 11.

Academy of Media Arts is authorized to operate as a charter school through the Los Angeles Unified School District (the “authorizing agency” or “LAUSD”). The Board of Directors of LAUSD approved a charter petition for a five-year term expiring on June 30, 2024. As a result of AB 130, the charter petition end date is extended to June 30, 2026. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Academy of Media Arts is required to report information regarding its financial position and activities according to two classes of net assets:

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

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

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

D. Estimates

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Contributions

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

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

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

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Academy of Media Arts. Revenues are recognized by the Charter when earned.

G. Functional Expenses

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

H. Cash and Cash Equivalents

Academy of Media Arts considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions.

Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2022, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

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

L. Deferred Revenue

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

M. Income Taxes

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

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

N. Fair Value Measurements

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

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

ACADEMY OF MEDIA ARTS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Change in Accounting Pronouncement

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 14, 2021. The Charter will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Cash in banks, non-interest bearing	\$	63,837
Cash in banks, interest bearing		24,365
Cash on hand or awaiting deposit		300
Total Cash and Cash Equivalents	\$	88,502

Cash in Banks – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. Academy of Media Arts does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2022, Academy of Media Arts bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

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

Local control funding sources, state aid	\$	60,864
Federal sources		95,604
Other state sources		50,799
Other local sources		13,165
Total Accounts Receivable	\$	220,431

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Property and equipment				
Fixed Asset Furniture and Equipment	\$ 13,324	\$ -	\$ -	\$ 13,324
Total property and equipment	13,324	-	-	13,324
Less accumulated depreciation	(8,883)	(4,441)	-	(13,324)
Capital Assets, net	\$ 4,441	\$ (4,441)	\$ -	-

ACADEMY OF MEDIA ARTS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 5 – ACCOUNTS PAYABLE

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

Vendor payables	\$ 152,070
Due to grantor government	28,846
Salaries and benefits	13,260
Credit card liability	9,078
Total Accounts Payable	<u>\$ 203,254</u>

NOTE 6 – DEFERRED REVENUE

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

Federal sources	\$ 20,201
State sources	51,761
Total Deferred Revenue	<u>\$ 71,962</u>

NOTE 7 – LOANS PAYABLE

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

	Balance July 1, 2021	Draws	Payments	Balance June 30, 2022
Revolving loan	\$ 74,998	\$ -	\$ 19,567	\$ 55,431
PPP Loan	66,070	-	66,070	-
Total Loans Payable	<u>\$ 141,068</u>	<u>\$ -</u>	<u>\$ 85,637</u>	<u>\$ 55,431</u>

Charter Revolving Loan

In July 2019, the Charter was approved to borrow \$100,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The loan was to be repaid over a four-year period ending January 2024; however, repayment terms were revised allowing for repayment over an additional fiscal year. The revolving note bears an annualized interest rate equal to the “prime rate” of 2.40%. During the fiscal year ended June 30, 2022, the Charter made payments of \$19,567. As of June 30, 2022, the outstanding balance on the loan was \$55,431. Repayment obligations on the above referenced debt are as follows:

Fiscal Year Ending June 30,	Principal
2023	\$ 19,718
2024	19,278
2025	16,435
Total	<u>\$ 55,431</u>

Paycheck Protection Program (PPP) Loan

In February 2021, the Charter received a second loan in the amount of \$66,070 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP, established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times their average monthly payroll expenses. Under the terms of the PPP, the full loan and any accrued interest may be forgiven if they are used for qualifying expenses as described in the CARES Act.

ACADEMY OF MEDIA ARTS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – LOANS PAYABLE (continued)

Paycheck Protection Program (PPP) Loan (continued)

The Charter applied for forgiveness with the lender and received full forgiveness from the SBA for the second borrowing. The amount of loan forgiveness is presented as a component of federal support and revenues on the statement of activities.

NOTE 8 – NET ASSETS

Net Assets with Donor Restrictions

At June 30, 2022, net assets with donor restrictions consisted of \$678 in state funding relating to lottery apportionment restricted for instructional materials.

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2022, the Charter’s net assets without donor restrictions consists of \$236,209 in undesignated funds.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 88,502
Accounts receivable	220,431
Security deposits, current portion	<u>15,924</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 324,857</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. Within the current charter petition, the Charter has not made such election and therefore, does not participate in the California State Teachers’ Retirement System (CalSTRS) or the California Public Employees’ Retirement System (CalPERS) pension programs. The Charter retains the option to elect to participate in CalSTRS or CalPERS at a future date.

As established by federal law, all public sector employees must be covered by social security or an alternative plan if an existing employer retirement plan such as CalSTRS or CalPERS is not available. The Charter offers both social security and a 403(b) employee funded plan. All employees are covered by social security and other eligible employees are eligible to enroll in a 403(b) retirement account. A participant of the 403(b) plan may make an election to defer compensation and have it contributed to this plan.

ACADEMY OF MEDIA ARTS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Academy of Media Arts is approved to operate as a public charter school through authorization by the Los Angeles Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the charter petition end date is extended to June 30, 2026.

Governmental Funds

Academy of Media Arts has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Operating Leases

In April 2019, Academy of Media Arts entered into a lease agreement for use of space located at 2009 West Martin Luther King Jr. Boulevard in Los Angeles, California. In April 2020, a lease addendum was added to extend the term of the lease to June 30, 2021 and an additional lease addendum, in April 2021, further extended the term through June 30, 2022. The Charter also holds an equipment lease for copier machines. Total lease expense for facilities and equipment was \$32,158 for the fiscal year ended June 30, 2022. Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Equipment</u>
2023	\$ 6,870
2024	6,432
2025	6,432
2026	6,432
2027	6,432
Thereafter	536
Total	<u>\$ 33,134</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, LAUSD, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight and facility use amounted to \$10,955 and total expenses for special education amounted to \$57,468 for the fiscal year ending June 30, 2022.

Academy of Media Arts Foundation

The Charter receives local contributions from the Academy of Media Arts Foundation (the “Foundation”). The Foundation is a tax-exempt organization under IRS code section 501(c)(3) with the primary purpose of generating funding to support the Academy of Media Arts. During the fiscal year ended June 30, 2022, the Foundation pledged \$231,437 in donations to the Charter.

Dana Hammond is the Chief Executive Officer of Academy of Media Arts and is also the main incorporator for the Academy of Media Arts Foundation.

ACADEMY OF MEDIA ARTS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 13 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Academy of Media Arts in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did not receive any donated items during the fiscal year.

NOTE 14 – SUBSEQUENT EVENTS

Academy of Media Arts has evaluated subsequent events for the period from June 30, 2022 through December 14, 2022, the date the financial statements were available to be issued.

After June 30, 2022, Academy of Media Arts moved to 345 S. Figueroa St, Los Angeles, CA. 12th grade is added in 2022-23. A security deposit of \$242,677 was paid prior to June 30, 2022. The lease agreement covers a 15-year term and calls for fixed monthly rent of \$73,500 per month with an increase each August 1. Pupil Estimates for New or Significantly Expanding Charters (PENSEC) filed for growth of one new class, but also reflecting overall growth from 100 to 165 due to the addition of a culinary program.

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

SUPPLEMENTARY INFORMATION

**ACADEMY OF MEDIA ARTS
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

Academy of Media Arts, located in Los Angeles, California, was formed as a nonprofit public benefit corporation on October 6, 2016. The charter school operated by the nonprofit, Academy of Media Arts, was numbered by the State Board of Education as Charter No. 2038. The Charter is authorized by the Los Angeles Unified School District. Classes began in Fall 2019. During 2021-22, the Charter served approximately 105 students in grades 9 through 11.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
John White	President	June 30, 2024
Chelsea Staebell	Vice President	June 30, 2024
Afeez Tijani	Treasurer	June 30, 2025
Jenny Vinopal	Secretary	June 30, 2023
Lula Balton	Trustee	June 30, 2025

ADMINISTRATION

Dana Hammond
Chief Executive Officer

See accompanying notes to the supplementary information.

**ACADEMY OF MEDIA ARTS
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Second Period Report</u>	<u>Annual Report</u>
	<u>Classroom-Based</u>	
Grade Span Ninth through eleventh	<u>84.33</u>	<u>86.31</u>
Total Average Daily Attendance - Classroom-Based	<u>84.33</u>	<u>86.31</u>

The Charter had no Nonclassroom-Based ADA in 2021-22.

See accompanying notes to the supplementary information.

**ACADEMY OF MEDIA ARTS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Grade Span</u>	<u>Minutes Requirement</u>	<u>2021-22 Instructional Minutes</u>	<u>2021-22 Number of Days</u>	<u>Status</u>
Grades 9 through 11	64,800	65,900	180	Complied

See accompanying notes to the supplementary information.

**ACADEMY OF MEDIA ARTS
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022**

June 30, 2022, net position within the Charter Schools Enterprise Fund per the Annual Financial and Budget Report (Unaudited Actuals)	<u>\$ 209,986</u>
Adjustments:	
Increase (decrease) in total net assets:	
Client adjustments during year-end closing	
Reconcile prepaid expenses balance	(12,448)
Record LCFF June accrual	56,858
Record expense accruals	<u>(17,509)</u>
Net adjustments	<u>26,901</u>
June 30, 2022, net assets per audited financial statements	<u>\$ 236,887</u>

See accompanying notes to the supplementary information.

**ACADEMY OF MEDIA ARTS
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

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

D. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile net position in the Charter Schools Enterprise Fund reported on the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

To the Board of Directors of
Academy of Media Arts
Los Angeles, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Academy of Media Arts (the "Charter") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 14, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Directors of
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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Academy of Media Arts state programs for the fiscal year ended June 30, 2022, as identified below.

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

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Academy of Media Arts and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Academy of Media Arts compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Academy of Media Arts state programs.

Auditor’s Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Academy of Media Arts compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Academy of Media Arts compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Academy of Media Arts compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Academy of Media Arts internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Academy of Media Arts internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Academy of Media Arts compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
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	Yes

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 14, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ACADEMY OF MEDIA ARTS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

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

Federal Awards

The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

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

**ACADEMY OF MEDIA ARTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

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

**ACADEMY OF MEDIA ARTS
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

**ACADEMY OF MEDIA ARTS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

This schedule presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported for the year ended June 30, 2021.