



Board of Directors  
Westlake Charter School  
Sacramento, California

We have audited the financial statements of Westlake Charter School (the Organization) as of and for the year ended June 30, 2020, and have issued our report thereon dated November 18, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards, and the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Appeals Panel*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westlake Charter School are described in Note 1 to the financial statements.

As described in Note 1, the Organization changed accounting policies related to the change in accounting principle by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for the year ended June 30, 2020.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated November 18, 2020.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other information in documents containing audited financial statements**

With respect to the local education agency organization structure, schedule of instructional time, schedule of average daily attendance and reconciliation of annual financial report with audited financial statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 18, 2020.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

**Recent accounting standards**

Our promise is to get to know you and help you. For your consideration, we provided recent accounting standards applicable to your entity.

Leases –

- Effective for fiscal years beginning after December 15, 2019 for public entities and December 15, 2021 for nonpublic entities. For your entity – June 30, 2023's financial statements.
- Requires lessees to recognize the assets and liabilities arising from all leases on the statement of financial position.
- A lessee should recognize the liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.
- Continued differentiation between finance and operating leases.

\* \* \*

This communication is intended solely for the information and use of the board of directors and management of Westlake Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Glendora, California  
November 18, 2020

**WESTLAKE CHARTER SCHOOL  
#0711**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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**WESTLAKE CHARTER SCHOOL  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Westlake Charter School  
Sacramento, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Westlake Charter School (the Organization), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 on page 1 present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Organization's financial statements as a whole. The accompanying supplementary schedules as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 a report dated November 18, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Glendora, California  
November 18, 2020

**WESTLAKE CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

**ASSETS**

**CURRENT ASSETS**

|   |                  |
|---|------------------|
| Cash and Cash Equivalents               | \$ 6,927,912     |
| Accounts Receivable - Federal and State | <u>1,880,970</u> |
| Total Current Assets                    | <u>8,808,882</u> |

**LONG-TERM ASSETS**

|                                     |              |
|-------------------------------------|--------------|
| Property, Plant, and Equipment, Net | <u>5,792</u> |
| Total Long-Term Assets              | <u>5,792</u> |

|              |                            |
|--------------|----------------------------|
| Total Assets | <u><u>\$ 8,814,674</u></u> |
|--------------|----------------------------|

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|  |                   |
|--|-------------------|
| Accounts Payable and Accrued Liabilities | <u>\$ 504,525</u> |
| Total Current Liabilities                | <u>504,525</u>    |

**NET ASSETS**

|                           |                  |
|---------------------------|------------------|
| Without Donor Restriction | <u>8,310,149</u> |
| Total Net Assets          | <u>8,310,149</u> |

|                                  |                            |
|----------------------------------|----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 8,814,674</u></u> |
|----------------------------------|----------------------------|

See accompanying Notes to Financial Statements.

**WESTLAKE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

**REVENUES, WITHOUT DONOR RESTRICTION**

|                              |                   |
|------------------------------|-------------------|
| State Revenue:               |                   |
| State Aid                    | \$ 6,445,581      |
| Other State Revenue          | 779,304           |
| Federal Revenue:             |                   |
| Grants and Entitlements      | 126,166           |
| Local Revenue:               |                   |
| In-Lieu Property Tax Revenue | 2,105,946         |
| Interest Income              | 134,854           |
| Other Revenue                | 484,871           |
| Total Revenues               | <u>10,076,722</u> |

**EXPENSES**

|                        |                  |
|------------------------|------------------|
| Program Services       | 7,033,174        |
| Management and General | 2,412,885        |
| Total Expenses         | <u>9,446,059</u> |

**CHANGE IN NET ASSETS**

630,663

Net Assets Without Donor Restriction - Beginning of Year

7,679,486

**NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR**

\$ 8,310,149

*See accompanying Notes to Financial Statements.*

**WESTLAKE CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

|                                    | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Total<br/>Expenses</u> |
|------------------------------------|-----------------------------|-----------------------------------|---------------------------|
| Salaries and Wages                 | \$ 4,237,360                | \$ 1,344,185                      | \$ 5,581,545              |
| Pension Expense                    | 677,483                     | 243,634                           | 921,117                   |
| Other Employee Benefits            | 591,619                     | 157,039                           | 748,658                   |
| Payroll Taxes                      | 106,075                     | 68,775                            | 174,850                   |
| Legal Expenses                     | -                           | 34,724                            | 34,724                    |
| Accounting Expenses                | -                           | 17,977                            | 17,977                    |
| Instructional Materials            | 352,349                     | 132,698                           | 485,047                   |
| Other Fees for Services            | 435,810                     | 128,316                           | 564,126                   |
| Advertising and Promotion Expenses | -                           | 5,359                             | 5,359                     |
| Office Expenses                    | -                           | 48,833                            | 48,833                    |
| Occupancy Expenses                 | 413,368                     | 5,282                             | 418,650                   |
| Travel Expenses                    | 14,059                      | 5,583                             | 19,642                    |
| Depreciation Expense               | -                           | 453                               | 453                       |
| Other Expenses                     | 205,051                     | 220,027                           | 425,078                   |
|                                    | <u>\$ 7,033,174</u>         | <u>\$ 2,412,885</u>               | <u>\$ 9,446,059</u>       |
| Total Functional Expenses          |                             |                                   |                           |

See accompanying Notes to Financial Statements.

**WESTLAKE CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

|  |                                |
|--|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                |
| Change in Net Assets   | \$ 630,663                     |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Provided by Operating Activities: |                                |
| Depreciation   | 453                            |
| Change in Operating Assets:  |                                |
| Accounts Receivable - Federal and State  | (1,334,960)                    |
| Change in Operating Liabilities:   |                                |
| Accounts Payable and Accrued Liabilities   | <u>364,224</u>                 |
| Net Cash Flows from Operating Activities   | <u>(339,620)</u>               |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                |
| Purchases of Property, Plant, and Equipment  | <u>(6,245)</u>                 |
| Net Cash Flows from Investing Activities   | (6,245)                        |
| <br><b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <br>(345,865)                  |
| Cash and Cash Equivalents - Beginning of Year  | <u>7,273,777</u>               |
| <br><b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <br><u><u>\$ 6,927,912</u></u> |

See accompanying Notes to Financial Statements.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Westlake Charter School (the Organization) is a California nonprofit public benefit corporation created by parents and educators in the Natomas area. The Organization serves children from kindergarten through eighth grade. The Organization was comprised of two charter schools: Westlake Charter School (the Elementary) and Westlake Charter Middle School (the Middle School). The Elementary school was approved in 2005 by the Natomas Unified School District (the District) and the Middle School was approved in 2011. The District has granted the Elementary through June 30, 2020 and the Middle School charter through June 30, 2016, subject to amendment and renewal. As of June 30, 2016, the Middle School ceased operations and all grade levels are to now serve under the Westlake Charter School's charter. The charter may be revoked by the District only for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management or violation of any provisions of the law.

The Organization has a Memorandum of Understanding (MOU) with the District whereby they pay the District 3% of the school's per pupil revenues to provide administrative oversight and facilities.

The Organization is funded principally through state of California public education monies received through the California Department of Education and the District.

**Basis of Accounting**

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**

Costs of providing the Organization's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**Net Asset Classes**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2020. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The Organization capitalizes all expenditures for land, buildings and equipment in excess of \$1,000.

**Revenue Recognition**

Amounts received from the California Department of Education are conditional and recognized as revenue by the Organization based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Amounts received from fee for service are recognized upon completion of each obligation and are reported in other revenue on the statement of activities. Revenue is recognized over time.

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the Organization is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

**Compensated Absences**

The Organization does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2020.

**Income Taxes**

The Organization is a nonprofit 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 Organization is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Organization files an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Organization has early adopted the implementation of ASU 2014-09 under the full retrospective approach. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Organization has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

**Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through November 18, 2020, the date these financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$8,808,882.

As part of its liquidity management plan, the Organization monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Organization structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The Organization maintains substantially all of its cash in the County of Sacramento Treasury (the County). The County pools these funds with those of other educational organizations in the county and invests the cash. These pooled funds are carried at costs which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or collateralized. The fair value of the Organization's deposits in this pool as of June 30, 2020, as provided by the pool sponsor was approximately \$6,920,000.

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$453 for the year ended June 30, 2020.

The components of property, plant, and equipment as of June 30, 2020 are as follows

|                                      |    |       |
|--------------------------------------|----|-------|
| Building                             | \$ | 3,293 |
| Equipment, Furniture and Fixtures    |    | 2,952 |
| Total                                |    | 6,245 |
| Less: Accumulated Amortization       |    | (453) |
| Total Property, Plant, and Equipment | \$ | 5,792 |

**NOTE 5 EMPLOYEE RETIREMENT**

**Multiemployer Defined Benefit Pension Plans**

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California.

The risks of participating in these multiemployer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the Organization chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)**

**State Teachers' Retirement System (STRS)**

Plan Description

The Organization contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year June 30, 2019, total STRS plan net assets are \$273 billion, the total actuarial present value of accumulated plan benefits is \$392 billion, contributions from all employers totaled \$5.6 billion, and the plan is 66% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2021-22. The required employer contribution rate for year ended June 30, 2020 was 18.13% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The Organization's contributions to STRS for the past three years are as follows:

| <u>Year Ending June 30.</u> | <u>Required<br/>Contribution</u> | <u>Percent<br/>Contributed</u> |
|-----------------------------|----------------------------------|--------------------------------|
| 2018                        | \$ 700,177                       | 100%                           |
| 2019                        | 590,306                          | 100%                           |
| 2020                        | 695,146                          | 100%                           |

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)**

**Public Employees' Retirement System (PERS)**

Plan Description

The Organization contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2019, the School Employer Pool total plan assets are \$68 billion, the present value of accumulated plan benefits is \$97 billion, contributions from all employers totaled \$2.5 billion, and the plan is 70% funded. The Organization did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and [www.calpers.ca.gov](http://www.calpers.ca.gov).

Funding Policy

Active plan members brought into PERS membership prior to January 1, 2013 are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.5%. The Organization is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2020 was 19.721%. The contribution requirements of the plan members are established and may be amended by state statute. The contribution requirements of the plan members are established and may be amended by state statute.

The Organization's contributions to PERS for each of the last three years are as follows:

| <u>Year Ending June 30,</u> | <u>Required<br/>Contribution</u> | <u>Percent<br/>Contributed</u> |
|-----------------------------|----------------------------------|--------------------------------|
| 2018                        | \$ 190,573                       | 100%                           |
| 2019                        | 207,855                          | 100%                           |
| 2020                        | 225,971                          | 100%                           |

**NOTE 6 OPERATING LEASES**

In March 2013, the Organization entered into a facility use agreement with Natomas Unified School District (NUSD). Facility fees will be charged at a rate of 2% of total general purpose entitlement for that given year. The agreement commences on July 1, 2013 and expires June 30, 2020. The Organization is still in negotiations with NUSD for a new facilities use agreement starting July 2020 however in Spring 2020 they came to an agreement with NUSD to continue the use of the facilities through the remainder of the 2020 calendar year. Facilities expense for the year ended June 30, 2020 under the agreement was \$166,418.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 RELATED PARTY TRANSACTIONS**

Westlake Association of Volunteer Explorers (W.A.V.E) is a nonprofit public benefit corporation organized for the specific purpose to support the mission, goals, and objectives of the Organization and its related activities. For the year ended June 30, 2020, W.A.V.E. made contributions to the Organization totaling \$79,507. As of June 30, 2020, the Organization had no amounts due to or due from W.A.V.E.

**NOTE 8 PPP LOAN FORGIVENESS**

On May 6, 2020 the School received proceeds from Five Star Bank in the amount of \$52,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Organization has classified this loan as a conditional contribution for accounting purposes. The Organization recognized \$52,000 of other revenue related to this agreement during the year ended June 30, 2020, which represents the entire balance of the PPP loan funds as the performance barriers have been met. The SBA has not formally forgiven any portion of the Organization's obligation under this PPP loan. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The covered period from May 6, 2020 to June 30, 2020 is the time that the Organization spent their PPP Loan funds.

**NOTE 9 CONTINGENCIES, RISKS AND UNCERTAINTIES**

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

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**WESTLAKE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 10 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of the annual budget.

**SUPPLEMENTARY INFORMATION**

**WESTLAKE CHARTER SCHOOL  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

Westlake Charter School (the Organization) is a California nonprofit public benefit corporation that was created by parents and educators in the Natomas area. The Organization is sponsored by the Natomas Unified School District in Sacramento County and serves children from kindergarten to eighth grade.

Westlake Charter School (charter number 0711) – established in 2005.

The board of directors and the administrators as of June 30, 2020 were as follows:

**BOARD OF DIRECTORS**

| <b>Member</b>      | <b>Office</b>        | <b>Term</b> | <b>Term Expires</b> |
|--------------------|----------------------|-------------|---------------------|
| Hope Gawlick       | President            | 3 Years     | 2020                |
| Sian Burman        | Treasurer            | 3 Years     | 2022                |
| Nancy Kong-Vasquez | Secretary            | 3 Years     | 2021                |
| Jed Wallace        | Community Member     | 3 Years     | 2022                |
| Michelle Gibbons   | Community Member     | 3 Years     | 2020                |
| Ashlee Patel       | Staff Representative | 3 Years     | 2021                |
| Josh Corell        | Community Member     | 3 Years     | 2021                |
| Shannon Simonds    | Community Member     | 3 Years     | 2020                |
| Vasa Lokteff       | Staff Representative | 3 Years     | 2022                |

**ADMINISTRATORS**

|               |                         |
|---------------|-------------------------|
| John Eick     | Executive Director      |
| Steve Korvink | Chief Business Official |

**WESTLAKE CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

|              | Instructional Minutes |        | Credit Minutes<br>COVID-19 School<br>Closure Certification | Total Actual<br>Plus Credited<br>Minutes | Traditional<br>Calendar<br>Days | Credit Days<br>COVID-19 School<br>Closure Certification | Total Actual<br>Plus Credited<br>Days | Status        |
|--------------|-----------------------|--------|--|--|---------------------------------|---|---------------------------------------|---------------|
|              | Requirement           | Actual |  |  |                                 |   |                                       |               |
| Kindergarten | 36,000                | 41,910 | 15,385   | 57,295                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 1      | 50,400                | 39,950 | 14,930   | 54,880                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 2      | 50,400                | 39,950 | 14,930   | 54,880                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 3      | 50,400                | 39,950 | 14,930   | 54,880                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 4      | 54,000                | 39,950 | 14,930   | 54,880                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 5      | 54,000                | 39,950 | 14,930   | 54,880                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 6      | 54,000                | 43,252 | 16,135   | 59,387                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 7      | 54,000                | 43,252 | 16,135   | 59,387                                   | 128                             | 47  | 175                                   | In Compliance |
| Grade 8      | 54,000                | 43,252 | 16,135   | 59,387                                   | 128                             | 47  | 175                                   | In Compliance |

See Accompanying Notes to Supplementary Information

**WESTLAKE CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

|               | Second Period Report |        | Annual Report      |        |
|---------------|----------------------|--------|--------------------|--------|
|               | Classroom<br>Based   | Total  | Classroom<br>Based | Total  |
| Grades TK/K-3 | 423.09               | 423.09 | 423.09             | 423.09 |
| Grades 4-6    | 325.13               | 325.13 | 325.13             | 325.13 |
| Grades 7-8    | 191.75               | 191.75 | 191.71             | 191.71 |
| ADA Totals    | 939.97               | 939.97 | 939.93             | 939.93 |

*See Accompanying Notes to Supplementary Information*

**WESTLAKE CHARTER SCHOOL  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

There were no adjustments or reclassifications for the year ended June 30, 2020.

**WESTLAKE CHARTER SCHOOL  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

This schedule presents information on the amount of instructional time offered by the Organization and whether the Organization complied with the provisions of California Education Code.

**NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

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

**NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



**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  
Westlake Charter School  
Sacramento, 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 Westlake Charter School (the Organization), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated November 18, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
November 18, 2020



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Westlake Charter School  
Sacramento, California

We have audited Westlake Charter School's (the Organization) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2020. The Organization's state compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Organization's compliance based on our audit of the types of compliance requirements referred to below. 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 *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the Organization's compliance.

### Compliance Requirements Tested

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

| <u>Description</u>  | <u>Procedures Performed</u> |
|---|-----------------------------|
| School Districts, County Offices of Education, and Charter Schools: |                             |
| California Clean Energy Jobs Act                                    | Yes                         |
| Before/After School Education and Safety Program                    | Not Applicable              |
| Proper Expenditure of Education Protection Account Funds            | Yes                         |

| <u>Description</u>  | <u>Procedures Performed</u> |
|---|-----------------------------|
| Unduplicated Local Control Funding Formula Pupil Counts     | Yes                         |
| Local Control and Accountability Plan                       | Yes                         |
| Independent Study-Course Based Charter Schools:             | Not Applicable              |
| Attendance  | Yes                         |
| Mode of Instruction   | Yes                         |
| Nonclassroom-based instructional/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              |

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**Opinion on State Compliance**

In our opinion, the Organization complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2020.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Glendora, California  
November 18, 2020

**WESTLAKE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

All audit findings must be identified as one or more of the following categories:

| <u>Five Digit Code</u> | <u>Finding Types</u>                                 |
|------------------------|--|
| 10000                  | Attendance   |
| 20000                  | Inventory of Equipment                               |
| 30000                  | Internal Control                                     |
| 40000                  | State Compliance                                     |
| 42000                  | Charter School Facilities Program                    |
| 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 findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2020.

**WESTLAKE CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

There were no findings and questioned costs related to the basic financial statements or state awards for the prior year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

