



Invictus
Leadership
Academy
Charter #2088

Audit Report

June 30, 2021



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Invictus Leadership Academy
Financial Statements and Supplemental Information
Year Ended June 30, 2021

TABLE OF CONTENTS

<u>INDEPENDENT AUDITOR’S REPORT</u>	<u>2</u>
<u>FINANCIAL STATEMENTS</u>	<u>4</u>
Statement of Financial Position	4
Statement of Activities.....	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements.....	8
<u>SUPPLEMENTARY INFORMATION</u>	<u>18</u>
LEA Organization Structure	18
Schedule of Instructional Time.....	19
Schedule of Financial Trends & Analysis.....	20
Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements.....	21
Notes to Supplementary Information.....	22
<u>OTHER INDEPENDENT AUDITOR’S REPORTS</u>	<u>24</u>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditor’s Report on State Compliance	26
<u>AUDITOR’S RESULTS, FINDINGS & RECOMMENDATIONS</u>	<u>29</u>
Schedule of Auditor’s Results.....	29
Schedule of Findings and Questioned Costs.....	30
Schedule of Prior Year Audit Findings.....	31

Independent Auditor's Report

To the Board of Directors
Invictus Leadership Academy

Report on the Financial Statements

We have audited the accompanying financial statements of Invictus Leadership Academy (the School), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 March 8, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

El Cajon, California
March 8, 2022

Financial Statements

Invictus Leadership Academy

Statement of Financial Position

June 30, 2021

Assets

Cash and cash equivalents	\$	166,762
Accounts receivable		50,520
Prepaid expenses		5,852
Security deposits		4,500
Property and equipment, net		55,412
Total Assets	\$	<u>283,046</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	133,603
Accrued vacation liability		5,262
Unearned revenue		8,915
Notes Payable		100,000
Total Liabilities		<u>247,780</u>

Net Assets

Without donor restrictions		
Undesignated		(20,146)
Invested in property and equipment, net of related debt		55,412
		<u>35,266</u>
Total Net Assets		<u>35,266</u>
Total Liabilities and Net Assets	\$	<u>283,046</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 174,336	\$ -	\$ 174,336
Education protection account state aid	4,380	-	4,380
Transfers in lieu of property taxes	64,234	-	64,234
Total LCFF sources	<u>242,950</u>	<u>-</u>	<u>242,950</u>
Federal contracts and grants	-	18,496	18,496
State contracts and grants	11,707	40,486	52,193
Local contracts and grants	23,446	-	23,446
Interest income	169	-	169
Net assets released from restriction -			
Grant restrictions satisfied	58,982	(58,982)	-
Total revenue, support, and gains	<u>337,254</u>	<u>-</u>	<u>337,254</u>
Expenses and Losses			
Program services expense	404,449	-	404,449
Supporting services expense	183,420	-	183,420
Total expenses and losses	<u>587,869</u>	<u>-</u>	<u>587,869</u>
Change in Net Assets	(250,615)	-	(250,615)
Net Assets, Beginning of Year	<u>285,881</u>	<u>-</u>	<u>285,881</u>
Net Assets, End of Year	<u>\$ 35,266</u>	<u>\$ -</u>	<u>\$ 35,266</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Statement of Functional Expenses

Year Ended June 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Educational</u>	<u>Management and</u>	
	<u>Programs</u>	<u>General</u>	<u>Total</u>
Salaries and wages	\$ 136,916	\$ 145,631	\$ 282,547
Other employee benefits	15,657	16,653	32,310
Payroll taxes	10,474	11,141	21,615
Fees for services:			
Legal	-	3,619	3,619
Professional consulting	72,853	-	72,853
District oversight	-	2,429	2,429
Marketing and recruitment	5,446	-	5,446
Information technology	8,860	-	8,860
Communication	4,603	-	4,603
Occupancy	49,500	-	49,500
Operations and housekeeping	8,641	-	8,641
Depreciation	28,027	-	28,027
Insurance	-	932	932
Other expenses:			
Books and supplies	46,000	-	46,000
Equipment rental and repair	3,641	-	3,641
Special education contracts and encroachment	13,831	-	13,831
Miscellaneous	-	3,015	3,015
Total expenses by function	<u>404,449</u>	<u>183,420</u>	<u>587,869</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 231,246
Receipts from property taxes	64,234
Receipts from operating interest	169
Payments to employees for services provided	(331,210)
Payments to vendors	(100,119)
Net Cash Used for Operating Activities	<u>(135,680)</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(83,439)
Net Cash From Investing Activities	<u>(83,439)</u>
Cash Flows from Financing Activities	
Increase in notes payable	100,000
Net Cash From Financing Activities	<u>100,000</u>
Net Change in Cash and Cash Equivalents	(119,119)
Cash and Cash Equivalents, Beginning of Year	<u>285,881</u>
Cash and Cash Equivalents, End of Year	<u>\$ 166,762</u>
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities	
Change in net assets	\$ (250,615)
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	28,027
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	(50,520)
Prepaid expenses	(5,852)
Security deposits	(4,500)
Increase (Decrease) in liabilities	
Accounts payable	133,603
Accrued vacation liability	5,262
Unearned revenue	8,915
Net Cash Used for Operating Activities	<u>\$ (135,680)</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Notes to the Financial Statements

Year Ended June 30, 2021

A. Principal Activity and Summary of Significant Accounting Policies

Organization Structure

Invictus Leadership Academy (the School), is a nonprofit organization, organized in the State of California. The School's mission is to provide an exceptional TK-5 education that supports every child fulfilling their full academic potential. Invictus Leadership Academy was formed as a charter school pursuant to California Education Code Section 47600 under a charter agreement with the Los Angeles Unified School District.

Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The School uses the accrual basis of accounting, under which revenues are recognized when they are earned, and expenditures are recognized in the accounting period in which the liability is incurred.

Cash and Cash Equivalents

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

Accounts Receivable

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

Property and Equipment

The School records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

The School reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2021.

Investments

The School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

Revenue and Revenue Recognition

The School recognizes revenue from sales when the products are transferred, and services are provided. The School records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Some federal, state, and local contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expense. In such cases the revenue is recognized once all performance requirements have been met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and developing activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Advertising

Advertising costs are expensed as incurred and approximated \$5,446 during the year ended June 30, 2021.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional bases in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2021, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2021.

Estimates

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

Financial Instruments and Credit Risk

The School manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the School to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the School has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from government agencies.

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the schools' average daily attendance (ADA) as reported at the second principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the school, which is funding in lieu of property taxes, and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state general fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 72% of the School's revenue.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

The School is not at risk of losing these funding sources, as long as the schools maintain a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

New Accounting Guidance

The Financial Accounting Standards Board (FASB) issues accounting standards updates and additional guidance for not-for-profit and for-profit agencies to establish consistent accounting across all organizations in the United States. The following table represents items that have been issued by FASB that became effective in the 2020-21 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2017-11 - <i>Earnings Per Share (Topic 260)</i>	Jan-18
FASB Accounting Standards Update 2017-11 - <i>Distinguishing Liabilities from Equity (Topic 480)</i>	Jan-18
FASB Accounting Standards Update 2017-11 - <i>Derivatives and Hedging (Topic 815)</i>	Jan-18
FASB Accounting Standards Update 2019-05 - <i>Financial Instruments, Credit Losses (Topic 326)</i>	May-19
FASB Accounting Standards Update 2019-11 - <i>Codification Improvements to Financial Instruments, Credit Losses (Topic 326)</i>	Nov-19
FASB Accounting Standards Update 2020-03 - <i>Codification Improvements to Financial Instruments</i>	Mar-20
FASB Accounting Standards Update 2020-04 - <i>Reference Rate Reform (Topic 848)</i>	Mar-20
FASB Accounting Standards Update 2021-01 - <i>Reference Rate Reform (Topic 848)</i>	Jan-21
FASB Accounting Standards Update 2021-03 - <i>Intangibles Goodwill and Other (Topic 350)</i>	Mar-21

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The School has adopted provisions of effective Accounting Standards Updates. The implementation of these items did not result in a change to financial presentation for the School.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through March 8, 2022, the date the financial statements were available to be issued.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

B. Liquidity and Availability

The School's 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, comprise the following:

Cash and cash equivalents	\$	166,762
Accounts receivable		50,520
Prepaid expenses		5,852
	\$	223,134

C. Cash and Cash Equivalents

The School's cash and cash equivalents on June 30, 2021, consisted of the following:

Cash in bank accounts	\$	166,762
Total cash and cash equivalents	\$	166,762

Cash in Bank

The School's cash, (\$166,762 as of June 30, 2021) is held in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of June 30, 2021, the School held no amounts in excess of the FDIC insured amounts. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believe it is not exposed to any significant credit risk.

D. Accounts Receivable

As of June 30, 2021, the School's accounts receivable consisted of the following:

Federal Government		
Child Nutrition	\$	4,961
Title IV		8,034
Other Federal Programs		1,041
State Government		
State Aid		177
Lottery Funding		5,329
Facilities Incentive Grant		24,621
Other State Programs		4,439
Local Government		
Property tax payments		1,918
Total Accounts Receivable	\$	50,520

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

E. Prepaid Expenses

As of June 30, 2021, the School's prepaid expenses consisted of the following:

Health and insurance	\$	1,017
Dues, licenses, and subscriptions		335
Prepaid rent		4,500
 Total Prepaid Expenses	 \$	 5,852

F. Property and Equipment

Property and equipment for the School consisted of the following at June 30, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Capital Assets				
Work in Progress	\$ -	\$ 1,500	\$ -	\$ 1,500
Total Non-Depreciable Capital Assets	-	1,500	-	1,500
Depreciable Capital Assets				
Buildings and Improvements	-	81,939	-	81,939
Total Depreciable Capital Assets	-	81,939	-	81,939
Total Capital Assets	-	83,439	-	83,439
Less Accumulated Depreciation	-	(28,027)	-	(28,027)
Capital Assets, Net	\$ -	\$ 55,412	\$ -	\$ 55,412

G. Accounts Payable

As of June 30, 2021, the School's accounts payable consisted of the following:

Vendors	\$	10,830
Due to grantor governments		122,773
Total Accounts Payable	 \$	 133,603

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

H. Unearned Revenue

At year end the School had performance obligations remaining to expend funds for the Expanded Learning Opportunities (ELO) grant. As such, unexpected cash received is reflected in unearned revenue.

The following table provides information about significant changes in unearned revenue for the year ended June 30, 2021:

Unearned Revenue, beginning of period	\$	-
Increases in deferred revenue due to cash received during the period		8,915
Decreases in deferred revenue due to performance obligations met during the period		-
Unearned Revenue, end of period	<u>\$</u>	<u>8,915</u>

As of June 30, 2021, unearned revenue consisted of the following:

Expanded Learning Opportunities	\$	8,915
Total Unearned Revenue	<u>\$</u>	<u>8,915</u>

I. Bonds and Notes Payable

On 12/23/2020 the School entered into a loan agreement for \$100,000 with the California Finance Authority under the Charter School Revolving Loan Fund Program to supplement cash flows during implementation years. The agreement provided for annual payments plus accrued interest for a period of 5 years. Payments include an interest at a rate of 0.52%. As of June 30, 2021, the School was obligated for the following payments:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 21,430	\$ 185	\$ 21,615
2023	19,644	388	20,032
2024	19,644	286	19,930
2025	19,644	184	19,828
2026	19,638	80	19,718
	<u>\$ 100,000</u>	<u>\$ 1,123</u>	<u>\$ 101,123</u>

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

J. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) that become effective over the next few fiscal years:

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2016-02 - <i>Leases (Topic 842)</i>	Feb-16	2022-23
FASB Accounting Standards Update 2016-13 - <i>Credit Losses (Topic 326)</i>	Jun-16	2023-24
FASB Accounting Standards Update 2017-04 - <i>Intangibles, Goodwill & Other (Topic 350)</i>	Jan-17	2023-24
FASB Accounting Standards Update 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17	2021-22
FASB Accounting Standards Update 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18	2021-22
FASB Accounting Standards Update 2018-11 - <i>Leases Targeted Improvements (Topic 842)</i>	Jul-18	2022-23
FASB Accounting Standards Update 2018-12 - <i>Financial Services Insurance (Topic 944)</i>	Aug-18	2024-25
FASB Accounting Standards Update 2018-14 - <i>Compensation, Retirement Benefits - Defined Benefit Plans (Topic 715-20)</i>	Aug-18	2022-23
FASB Accounting Standards Update 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18	2021-22
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18	2021-22
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18	2021-22
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18	2021-22
FASB Accounting Standards Update 2018-19 - <i>Codification Improvements for Credit Losses (Topic 326)</i>	Nov-18	2023-24
FASB Accounting Standards Update 2018-20 - <i>Leases (Topic 842)</i>	Dec-18	2022-23
FASB Accounting Standards Update 2019-01 - <i>Leases (Topic 842)</i>	Mar-19	2022-23
FASB Accounting Standards Update 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19	2021-22
FASB Accounting Standards Update 2019-09 - <i>Financial Services, Insurance (Topic 944)</i>	Nov-19	2024-25
FASB Accounting Standards Update 2019-10 - <i>Financial Instruments, Credit Losses</i>	Nov-19	2023-24

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

Description	Date Issued	Fiscal Year Effective
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19	2021-22
FASB Accounting Standards Update 2019-12 - <i>Income Taxes (Topic 740)</i>	Dec-19	2022-23
FASB Accounting Standards Update 2020-01 - <i>Investments (Topics 321, 323, and 815)</i>	Jan-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Revenue from Contracts with Customers (Topic 606)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-05 - <i>Leases (Topic 842)</i>	Jun-20	2022-23
FASB Accounting Standards Update 2020-06 - <i>Debt (Topic 470-20)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-06 - <i>Derivatives and Hedging (Topic 815-40)</i>	Aug-20	2024-25
FASB Accounting Standards Update 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20	2021-22
FASB Accounting Standards Update 2020-08 - <i>Codification Improvements for Receivables (Topic 310-20)</i>	Oct-20	2022-23
FASB Accounting Standards Update 2020-10 - <i>Codification Improvements</i>	Nov-20	2025-26
FASB Accounting Standards Update 2021-02 - <i>Franchisors Revenue (Topic 952-606)</i>	Jan-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Earnings Per Share (Topic 260)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Debt Modifications and Extinguishments (Topic 470-50)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Stock Compensation (Topic 718)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-04 - <i>Derivatives and Hedging (Topic 815-40)</i>	May-21	2022-23
FASB Accounting Standards Update 2021-05 - <i>Leases (Topic 842)</i>	Jul-21	2022-23
FASB Accounting Standards Update 2021-07 - <i>Stock Compensation (Topic 718)</i>	Oct-21	2022-23
FASB Accounting Standards Update 2021-08 - <i>Business Combinations (Topic 805)</i>	Oct-21	2024-25
FASB Accounting Standards Update 2021-09 - <i>Leases (Topic 842)</i>	Nov-21	2022-23

These updates were issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the future fiscal years are not expected to impact the financial accounting or presentation for the School.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2021

K. COVID-19 Impact and Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting Invictus Leadership Academy from March 16, 2020 and continuing into the Fall of the 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, until such time as campuses were re-opened.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. Invictus Leadership Academy established and followed a re-opening plan that they believe is providing a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California schools are eligible for these funds. Some funding provided as a result of COVID-19 is intended to be spent over multiple years. The School has taken all of the requirements of each funding source into consideration in preparation of budgets for upcoming years.

Supplementary Information

Invictus Leadership Academy

LEA Organization Structure

Year Ended June 30, 2021

Invictus Leadership Academy (Charter #2088) was formed pursuant to Education Code Section 47600 under an agreement with the Los Angeles Unified School District. Invictus Leadership Academy provides services for Transitional Kindergarten through Fifth grade.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Robert Thrash	President	One Year Term Expires June 2022
Austin Dragon	Vice President	One Year Term Expires June 2022
Eleanor Sison-Derbigny	Secretary	One Year Term Expires June 2022
Rosie Berumen	Treasurer	One Year Term Expires June 2022
Robin Harris	Director	One Year Term Expires June 2022
Julia Ruiz	Director	One Year Term Expires June 2022

ADMINISTRATION

Dr. LaTonya Derbigny
Executive Director

Invictus Leadership Academy

Schedule of Instructional Time

Year Ended June 30, 2021

<u>Grade Level</u>	<u>Minimum Daily Minutes Offered</u>	<u>Instructional Days Offered Multi-Track Calendar</u>	<u>J-13A Credited Days</u>	<u>Status</u>
Kindergarten	180	180	N/A	Complied
1st Grade	230	180	N/A	Complied
2nd Grade	230	180	N/A	Complied
3rd Grade	230	180	N/A	Complied
4th Grade	240	180	N/A	Complied
5th Grade	240	180	N/A	Complied

See Accompanying Notes to Supplementary Information

Invictus Leadership Academy
Schedule of Financial Trends & Analysis
Year Ended June 30, 2021

	Budget 2022	2021	2020
Revenues	\$ 1,486,099	\$ 337,254	\$ 285,881
Expenses	1,135,864	587,869	-
Change in Net Assets	<u>350,235</u>	<u>(250,615)</u>	<u>285,881</u>
Ending Net Assets	<u>\$ 385,501</u>	<u>\$ 35,266</u>	<u>\$ 285,881</u>
Unrestricted Net Assets	<u>\$ 385,501</u>	<u>\$ 35,266</u>	<u>\$ 285,881</u>
Unrestricted net assets as a percentage of total expenses	<u>34%</u>	<u>6%</u>	<u>N/A</u>
Total Long Term Debt	<u>\$ 75,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>
ADA at P2	<u>89</u>	<u>N/A</u>	<u>N/A</u>

The School began operations during the 2020-21 school year.

As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year. Each LEA was funded based on the 2019-20 average daily attendance (ADA) reported.

The 2021-22 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$350,235 and ADA is projected to be 89 for the 2021-22 fiscal year.

Invictus Leadership Academy

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2021

June 30, 2021 annual financial alternative form net assets:	\$	35,266
Adjustments and reclassifications:		<u>-</u>
June 30, 2021 audited financial statements net assets:	\$	<u>35,266</u>

Invictus Leadership Academy

Notes to Supplementary Information

Year Ended June 30, 2021

A. Purpose of Schedules

LEA Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

Schedule of Instructional Time

In addition, this schedule provides the information necessary to determine if the Charter Schools have complied with Education Code §47612 & §47612.5 which require the following:

- 1) EC §47612: As a condition of apportionment 175 school days must be offered for traditional calendar. If a multi-track calendar is utilized, each track must offer 175 school days.
- 2) EC §47612.5: As a condition of apportionment the following annual instructional minutes must be offered:
 - To pupils in Kindergarten 36,000 minutes
 - To pupils in grades 1 to 3 50,400 minutes
 - To pupils in grades 4 to 8 54,000 minutes
 - To pupils in grades 9 to 12 64,800 minutes

Under Senate Bill 98 and Senate Bill 820, annual instructional minutes requirements were waived for the 2020-21 school year. For school districts and classroom-based charter schools, in order for a day to count as a day of instruction towards meeting the annual instructional day requirement, students must be scheduled to attend for the school day established by the local governing board and the school day must be equivalent to at least a minimum day of instruction as follows:

- 180 instructional minutes in TK/Kindergarten, continuation high schools, opportunity schools, and students concurrently enrolled in a community college.
- 230 instructional minutes in grades 1 to 3
- 240 minutes in grades 4 to 12

As a result of the COVID-19 pandemic, the District and Charter Schools operated a portion of the year under distance learning and a portion of the year under in person classroom instruction.

Instructional time for distance learning is calculated based on the time value of synchronous and/or asynchronous instruction and assignments made by and certified by a certificated employee of the LEA. Instructional time for in-person instruction is calculated based on time scheduled under the immediate physical supervision and control of a certificated employee of the LEA.

Schedule of Financial Trends & Analysis

This schedule displays summarized information from the current year and two previous years, along with budget information for the upcoming year. The information from this schedule is used to evaluate whether there are any financial indicators the School will not be able to continue operations in the next fiscal year. Based upon the information presented, the School appears to have sufficient reserves to continue operations for the 2021-22 fiscal year.

Invictus Leadership Academy
Notes to Supplementary Information (Continued)
Year Ended June 30, 2021

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements

This schedule provides information necessary to reconcile between the audited financial statements and the financial data submitted to the sponsoring school district via the unaudited actual financial report.

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Invictus Leadership Academy

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 the governmental activities and each major fund of Invictus Leadership Academy (the School), as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 8, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

El Cajon, California
March 8, 2022

Independent Auditor's Report on State Compliance

To the Board of Directors
Invictus Leadership Academy

Report on State Compliance

We have audited the Invictus Leadership Academy's (the School) compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2021.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
A. Attendance and Distance Learning.....	Yes
B. Teacher Certification and Misassignments.....	N/A
C. Kindergarten Continuance.....	N/A
G. Instructional Materials.....	N/A
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	N/A
L. School Accountability Report Card.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	N/A
S. District of Choice.....	N/A
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
Charter Schools	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
FF. Charter School Facility Grant Program.....	Yes

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

Opinion on State Compliance

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

El Cajon, California
March 8, 2022

Auditor's Results, Findings & Recommendations

Invictus Leadership Academy

Schedule of Auditor's Results

Year Ended June 30, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

 Yes X No

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

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

STATE AWARDS

Any audit findings disclosed that are required to be reported
in accordance with *2020-21 Guide for Annual Audits
of California K-12 Local Education Agencies?*

 Yes X No

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

Unmodified

Invictus Leadership Academy
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2020-21 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting* (the Audit Guide). Finding codes as identified in the Audit Guide are 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
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

None

B. State Award Findings

None

INVICTUS LEADERSHIP ACADEMY

Schedule of Prior Year Audit Findings

Year Ended June 30, 2021

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
N/A - First year of operations	N/A	N/A