



Invictus
Leadership
Academy

Charter #2088

Audit Report

June 30, 2022



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Invictus Leadership Academy
Financial Statements and Supplemental Information
Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Invictus Leadership Academy

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Invictus Leadership Academy (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Invictus Leadership Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as identified in the Table of Contents and as required by the *2021-22 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 accompanying supplementary information, as identified in the Table of Contents, are 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 January 31, 2023, on our consideration of Invictus Leadership Academy'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 Invictus Leadership Academy'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 Invictus Leadership Academy's internal control over financial reporting and compliance.

Wilkinson Hadley King + LLP
El Cajon, California
January 31, 2023

Financial Statements

Invictus Leadership Academy

Statement of Financial Position

June 30, 2022

Assets

Cash and cash equivalents	\$ 366,305
Accounts receivable	381,275
Prepaid expenses	16,646
Security deposits	16,000
Property and equipment, net	27,618
Total Assets	<u>\$ 807,844</u>

Liabilities and Net Assets

Liabilities

Accounts payable - vendors	\$ 54,565
Accrued expenses and payroll liabilities	15,650
Accounts payable grantor government	9,708
Accrued vacation liability	12,110
Unearned revenue	97,899
Notes payable	128,570
Total Liabilities	<u>318,502</u>

Net Assets

Without donor restrictions	
Undesignated	461,724
Invested in property and equipment, net of related debt	27,618
	<u>489,342</u>

With donor restrictions -

Total Net Assets	489,342
Total Liabilities and Net Assets	<u>\$ 807,844</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Local Control Funding Formula (LCFF) sources			
State aid	\$ 632,538	\$ -	\$ 632,538
Education protection account state aid	14,570	-	14,570
Transfers in lieu of property taxes	232,261	-	232,261
Total LCFF sources	<u>879,369</u>	<u>-</u>	<u>879,369</u>
Federal contracts and grants	-	400,421	400,421
State contracts and grants	12,816	99,419	112,235
Local contracts and grants	123	-	123
Net assets released from restriction -			
Grant restrictions satisfied	<u>499,840</u>	<u>(499,840)</u>	<u>-</u>
Total revenue, support, and gains	<u>1,392,148</u>	<u>-</u>	<u>1,392,148</u>
Expenses and Losses			
Program services expense	686,927	-	686,927
Supporting services expense	251,145	-	251,145
Total expenses and losses	<u>938,072</u>	<u>-</u>	<u>938,072</u>
Change in Net Assets	454,076	-	454,076
Net Assets, Beginning of Year	<u>35,266</u>	<u>-</u>	<u>35,266</u>
Net Assets, End of Year	<u>\$ 489,342</u>	<u>\$ -</u>	<u>\$ 489,342</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Statement of Functional Expenses

Year Ended June 30, 2022

	<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	\$ 255,919	\$ 163,857	\$ 419,776
Other employee benefits	18,765	12,015	30,780
Payroll taxes	22,096	14,148	36,244
Fees for services:			
Legal	-	14,454	14,454
Accounting	-	10,950	10,950
Professional consulting	100,003	-	100,003
District oversight	-	8,794	8,794
Marketing and recruitment	-	6,698	6,698
Office expenses	1,806		1,806
Information technology	5,213	9,030	14,243
Occupancy	64,755	-	64,755
Travel and conferences	-	3,243	3,243
Debt service interest	-	4,107	4,107
Depreciation	28,540	-	28,540
Insurance	-	2,803	2,803
Other expenses:			
Books and supplies	102,614	-	102,614
Equipment rental and repair	15,017	-	15,017
Special education contracts and encroachment	69,610	-	69,610
Miscellaneous	2,589	1,046	3,635
Total expenses by function	<u>686,927</u>	<u>251,145</u>	<u>938,072</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows From Operating Activities	
Receipts from federal, state, and local contracts and grants	\$ 918,116
Receipts from property taxes	232,261
Payments to employees for services provided	(464,302)
Payments to vendors	(514,356)
Net Cash From Operating Activities	<u>171,719</u>
Cash Flows From Investing Activities	
Purchases of property and equipment	(746)
Net Cash From Investing Activities	<u>(746)</u>
Cash Flows From Financing Activities	
Change in notes payable	28,570
Net Cash From Financing Activities	<u>28,570</u>
Net Change in Cash and Cash Equivalents	199,543
Cash and Cash Equivalents, Beginning of Year	<u>166,762</u>
Cash and Cash Equivalents, End of Year	<u>\$ 366,305</u>
Reconciliation of Change in Net Assets to Net Cash	
Used For Operating Activities	
Change in net assets	\$ 454,076
Adjustments to reconcile change in net assets to net cash:	
Depreciation and amortization	28,540
Changes in operating assets and liabilities	
(Increase) Decrease in assets	
Accounts receivable	(330,755)
Prepaid expenses	(10,794)
Security deposits	(11,500)
Increase (Decrease) in liabilities	
Accounts payable	(79,038)
Accrued expenses and payroll liabilities	15,650
Accounts payable grantor government	6,848
Accrued vacation liability	9,708
Unearned revenue	88,984
Net Cash From Operating Activities	<u>\$ 171,719</u>

The accompanying notes are an integral part of this statement.

Invictus Leadership Academy

Notes to the Financial Statements

Year Ended June 30, 2022

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 receivable consist primarily of non-interest 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, 2022

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, 2022.

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, 2022

Advertising

Advertising costs are expensed as incurred and approximated \$6,698 during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the 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, 2022, 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, 2022.

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 63.17% of the School's revenue.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2022

The School is not at risk of losing these funding sources, as long as the School maintains 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 2021-22 fiscal year:

Description	Date Issued
FASB Accounting Standards Update 2017-12 - <i>Derivatives and Hedging (Topic 815)</i>	Aug-17
FASB Accounting Standards Update 2018-10 - <i>Codification Improvements to Topic 842 Leases</i>	Jul-18
FASB Accounting Standards Update 2018-15 - <i>Intangibles, Goodwill and Other, Internal Use Software (Topic 350-40)</i>	Aug-18
FASB Accounting Standards Update 2018-16 - <i>Derivatives and Hedging (Topic 815)</i>	Oct-18
FASB Accounting Standards Update 2018-17 - <i>Consolidation (Topic 810)</i>	Oct-18
FASB Accounting Standards Update 2018-18 - <i>Collaborative Arrangements (Topic 808)</i>	Nov-18
FASB Accounting Standards Update 2019-02 - <i>Entertainment Film Costs (Topic 926-20)</i>	Mar-19
FASB Accounting Standards Update 2019-10 - <i>Derivatives and Hedging (Topic 815)</i>	Nov-19
FASB Accounting Standards Update 2020-07 - <i>Not-For-Profit Entities (Topic 958)</i>	Sep-20

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 January 31, 2023, the date the financial statements were available to be issued.

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2022

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	\$	366,305
Accounts receivable		381,275
	\$	747,580

C. Cash and Cash Equivalents

The School's cash and cash equivalents on June 30, 2022, consisted of the following:

Cash in bank accounts	\$	366,305
Total cash and cash equivalents	\$	366,305

Cash in Bank

The School's cash, (\$366,305 as of June 30, 2022) 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, 2022, the School held \$122,165 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, 2022, the School's accounts receivable consisted of the following:

Federal Government		
Child Nutrition	\$	20,098
ESSER/GEER		73,982
Title IV		80,094
Other Federal Programs		10,380
State Government		
State Aid		117,172
Lottery Funding		15,139
Facilities Incentive Grant		20,236
Other State Programs		11,987
Local Government		
Property Tax Payments		12,584
Other Local Sources		
Other Local Sources		19,603
Total Accounts Receivable	\$	381,275

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2022

E. Prepaid Expenses

As of June 30, 2022, the School's prepaid expenses consisted of the following:

Dues, licenses, and subscriptions	\$	185
Prepaid rent		16,461
Total Prepaid Expenses	\$	16,646

F. Property and Equipment

Property and equipment for the School consisted of the following at June 30, 2022:

	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
Equipment, Furniture, and Fixtures	-	2,246	-	2,246
Total Depreciable Capital Assets	81,939	2,246	-	84,185
Total Capital Assets	83,439	2,246	1,500	84,185
Less Accumulated Depreciation	(28,027)	(28,540)	-	(56,567)
Capital Assets, Net	\$ 55,412	\$ (26,294)	\$ 1,500	\$ 27,618

G. 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, 2022:

Unearned Revenue, beginning of period	\$	8,915
Increases in unearned revenue due to cash received during the period		97,899
Decreases in unearned revenue due to performance obligations met during the period		(8,915)
Unearned Revenue, end of period	\$	97,899

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2022

As of June 30, 2022, unearned revenue consisted of the following:

Expanded Learning Opportunity Grant - Federal	\$	1,977
Educator Effectiveness		15,461
Universal Pre-K Grant		25,000
Expanded Learning Opportunity Grant - State		55,461
Total Unearned Revenue	\$	97,899

H. 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, 2022, the School was obligated for the following payments:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 19,644	\$ 388	\$ 20,032
2024	19,644	286	19,930
2025	19,644	184	19,828
2026	19,638	80	19,718
	\$ 78,570	\$ 938	\$ 79,508

During the 2021-22 year the school entered into an additional \$50,000 loan with ExEd for cash flow purposes. The loan has a market interest rate and is due within one year.

Year Ending June 30,	Principal	Interest	Total
2023	\$ 50,000	\$ 3,922	\$ 53,922
	\$ 50,000	\$ 3,922	\$ 53,922

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2022

I. 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 2018-01 - <i>Leases (Topic 842)</i>	Jan-18	2022-23
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 2018-19 - <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 2019-09 - <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
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

Invictus Leadership Academy
Notes to the Financial Statements (Continued)
Year Ended June 30, 2022

Description	Date Issued	Fiscal Year Effective
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
FASB Accounting Standards Update 2021-10 - <i>Government Assistance (Topic 832)</i>	Nov-21	2022-23
FASB Accounting Standards Update 2022-01 - <i>Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method</i>	Mar-22	2024-25
FASB Accounting Standards Update 2022-02 - <i>Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage</i>	Mar-22	2023-24
FASB Accounting Standards Update 2022-03 - <i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to</i>	Jun-22	2025-26
FASB Accounting Standards Update 2022-04 - <i>Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations</i>	Sep-22	2023-24

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.

Supplementary Information

Invictus Leadership Academy

LEA Organization Structure

Year Ended June 30, 2022

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 Average Daily Attendance

Year Ended June 30, 2022

	Second Period Report		Annual Report	
	Original 5A5B543B	Revised N/A	Original 11B414E4	Revised N/A
Classroom Based Attendance				
Grades K-3	38.18	N/A	37.69	N/A
Grades 4-5	23.52	N/A	22.51	N/A
Total Classroom Based Attendance	61.70	N/A	60.20	N/A
Non-Classroom Based Attendance				
Grades K-3	6.17	N/A	5.34	N/A
Grades 4-5	4.98	N/A	4.76	N/A
Total Non-Classroom Based Attendance	11.15	N/A	10.10	N/A
Total ADA	72.85	N/A	70.30	N/A

N/A – There were no audit findings which resulted in revision to the ADA.

Invictus Leadership Academy

Schedule of Instructional Time

Year Ended June 30, 2022

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
Transitional Kindergarten	36,000	59,250	0	59,250	180	0	180	Complied
Kindergarten	36,000	59,250	0	59,250	180	0	180	Complied
1st Grade	50,400	59,250	0	59,250	180	0	180	Complied
2nd Grade	50,400	56,390	0	56,390	180	0	180	Complied
3rd Grade	50,400	56,390	0	56,390	180	0	180	Complied
4th Grade	54,000	59,250	0	59,250	180	0	180	Complied
5th Grade	54,000	59,250	0	59,250	180	0	180	Complied
6th Grade	54,000	59,250	0	59,250	180	0	180	Complied
7th Grade	54,000	59,250	0	59,250	180	0	180	Complied
8th Grade	54,000	59,250	0	59,250	180	0	180	Complied

See Accompanying Notes to Supplementary Information

Invictus Leadership Academy
Schedule of Financial Trends & Analysis
Year Ended June 30, 2022

	Budget 2023	2022	2021	2020
Revenues	\$ 1,637,070	\$ 1,392,148	\$ 337,254	\$ 285,881
Expenses	1,454,262	938,072	587,869	-
Change in Net Assets	<u>182,808</u>	<u>454,076</u>	<u>(250,615)</u>	<u>285,881</u>
Ending Net Assets	<u>\$ 672,150</u>	<u>\$ 489,342</u>	<u>\$ 35,266</u>	<u>\$ 285,881</u>
Unrestricted Net Assets	<u>\$ 672,150</u>	<u>\$ 489,342</u>	<u>\$ 35,266</u>	<u>\$ 285,881</u>
Unrestricted net assets as a percentage of total expenses	<u>46%</u>	<u>52%</u>	<u>N/A</u>	<u>0%</u>
Total Long Term Debt	<u>\$ 39,282</u>	<u>\$ 58,926</u>	<u>\$ 100,000</u>	<u>\$ -</u>
ADA at P2	<u>117</u>	<u>73</u>	<u>N/A</u>	<u>N/A</u>

The School's ending net assets has increased by \$203,461 (71.17%) over the past two fiscal years. The significant increase is in large due to enrollment growth and additional funding received as a result of the COVID-19 pandemic. Restricted ending net assets include multi-year grants that will be expended over the next two to three years.

Average daily attendance (ADA) has increased by 73 over the past two years. As a result of the COVID-19 pandemic there was no attendance reporting for the 2020-21 fiscal year.

The 2022-23 budget is presented for purposes of analysis only and has not been audited. Net assets are projected to increase by \$182,808 and ADA is projected to increase by 44 for the 2022-23 fiscal year.

Invictus Leadership Academy

Reconciliation of Unaudited Actual Financial Report to Audited Financial Statements Year Ended June 30, 2022

June 30, 2022 annual financial alternative form net assets:	\$	489,343
Adjustments and reclassifications:		
Rounding		<u>(1)</u>
Total adjustments and reclassifications		<u>(1)</u>
June 30, 2022 audited financial statements net assets:	\$	<u><u>489,342</u></u>

Invictus Leadership Academy

Notes to Supplementary Information

Year Ended June 30, 2022

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 Average Daily Attendance

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

Schedule of Instructional Time

This schedule provides information regarding compliance with Education Code §47612.

Compliance with Education Code §47612 includes the following:

- 1) Charter schools may operate up to 5 tracks for attendance reporting.
- 2) Each track must be operated for a minimum of 175 days.
- 3) Each track must offer the required number of instructional minutes specified in Education Code §47612.5.
- 4) No track shall have less than 55% of its school days before April 15 each school year.

Compliance with Education Code §47612 involves offering a minimum number of annual instructional minutes as defined by grade level.

An LEA that closed due to a qualifying emergency in the 2021-22 fiscal year may submit a Form J-13A to avoid a penalty for not meeting the annual instructional day requirements. The School did not have an emergency closure and as such there are no credited days to account for on the Schedule of Instructional Time.

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 2022-23 fiscal year.

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 Invictus Leadership Academy (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Invictus Leadership Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Invictus Leadership Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Invictus Leadership Academy'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Wilkinson Hadley King + LLP
El Cajon, California
January 31, 2023

Independent Auditor's Report on State Compliance and on Internal Control Over
State Compliance

To the Board of Directors
Invictus Leadership Academy

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited Invictus Leadership Academy's compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 applicable to the Charter School's statutory requirements identified below for the year ended June 30, 2022.

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

Basis for Opinion on Each Applicable State Program

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 audit requirements of *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Invictus Leadership Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Invictus Leadership Academy’s compliance with the requirements of each applicable state program as a whole.

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

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

	<u>Procedures Performed</u>
<u>School Districts, County Offices of Education, and Charter Schools</u>	
T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	N/A
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
Z. Immunizations.....	Yes
AZ. Educator Effectiveness.....	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G).....	Yes
CZ. Career Technical Education Incentive Grant.....	N/A
DZ. In Person Instruction Grant.....	Yes
<u>Charter Schools</u>	
AA. Attendance.....	Yes
BB. Mode of Instruction.....	Yes
CC. Nonclassroom Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	Yes
FF. Charter School Facility Grant Program.....	N/A

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

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

Report on Internal Control over State Compliance

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

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

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

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



El Cajon, California

January 31, 2023

Auditor's Results, Findings & Recommendations

Invictus Leadership Academy

Schedule of Auditor's Results

Year Ended June 30, 2022

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered material weakness(es)?	<u> </u> Yes	<u> X </u> No	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

STATE PROGRAMS

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>		
Internal control over applicable state programs:			
One or more material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered material weakness(es)?	<u> </u> Yes	<u> X </u> No	
Any audit findings disclosed that are required to be reported in accordance with <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies and State Compliance Reporting?</i>	<u> </u> Yes	<u> X </u> No	

Invictus Leadership Academy
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

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 *2021-22 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, 2022

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
No findings in prior year	N/A	N/A