INLAND LEADERS CHARTER SCHOOLS
CHARTER SCHOOL NUMBER: 0889

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

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INLAND LEADERS CHARTER SCHOOLS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Inland Leaders Charter Schools
Yucaipa, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Inland Leaders Charter Schools (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Inland Leaders Charter Schools and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 GAAS 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 GAAS 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 the School'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 the School'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 School's financial statements as a whole. The accompanying supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and, except for the portion marked "unaudited", 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.

Board of Directors
Inland Leaders Charter Schools

The Local Education Agency Organization Structure which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2023 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 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
December 12, 2023

INLAND LEADERS CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 13,824,890
Investments	2,525,570
Accounts Receivable - Federal and State	3,460,235
Accounts Receivable - Other	1,303
Prepaid Expenses and Other Assets	288,382
Total Current Assets	20,100,380
LONG-TERM ASSETS	
Property, Plant, and Equipment, Net	446,012
Operating Right-of-use Assets, Net	12,220
Investments - Long Term	385,433
Total Long-Term Assets	843,665
Total Assets	$ 20,944,045

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	$ 1,514,917
Deferred Revenue	1,525,054
Operating Lease Liabilities, Current	12,220
Total Current Liabilities	3,052,191
NET ASSETS	
Without Donor Restriction	17,715,603
With Donor Restriction	176,251
Total Net Assets	17,891,854
Total Liabilities and Net Assets	$ 20,944,045

See accompanying Notes to Financial Statements.

INLAND LEADERS CHARTER SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
State Revenue:			
State Aid	$ 8,484,748	$ -	$ 8,484,748
Other State Revenue	1,971,959	79,469	2,051,428
Federal Revenue:			
Grants and Entitlements	713,287		713,287
Local Revenue:			
In-Lieu Property Tax Revenue	1,393,765	-	1,393,765
Local Government Grants and Refunds	44,456	-	44,456
Contributions	124,473	-	124,473
Investment Income	83,058	-	83,058
Other Revenue	54,151	-	54,151
Total Revenues	12,869,897	79,469	12,949,366
EXPENSES			
Program Services	9,384,498	-	9,384,498
Management and General	1,313,283	-	1,313,283
Fundraising	14,934	-	14,934
Total Expenses	10,712,715	-	10,712,715
CHANGE IN NET ASSETS	2,157,182	79,469	2,236,651
Net Assets - Beginning of Year	15,558,421	96,782	15,655,203
NET ASSETS - END OF YEAR	$ 17,715,603	$ 176,251	$ 17,891,854

See accompanying Notes to Financial Statements.

INLAND LEADERS CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	$ 5,802,708	$ 832,567	$ -	$ 6,635,275
Pension Expense	878,599	36,717	-	915,316
Other Employee Benefits	560,056	94,979	-	655,035
Payroll Taxes	139,593	51,017	-	190,610
Management Fees	282,858	13,328	-	296,186
Legal Expenses	-	7,628	-	7,628
Accounting Expenses	-	18,286	-	18,286
Instructional Materials	257,522	-	-	257,522
Other Fees for Services	100,313	117,690	-	218,003
Advertising and Promotion Expenses	-	12,005	-	12,005
Office Expenses	26,670	58,972	-	85,642
Information Technology Expenses	102,907	-	-	102,907
Occupancy Expenses	585,964	27,611	-	613,575
Travel Expenses	9,964	-	-	9,964
Conference and Meeting Expenses	10,881	-	-	10,881
Depreciation Expense	22,998	1,084	-	24,082
Insurance Expense	44,144	2,080	-	46,224
Student Food Expense	149,015	-	-	149,015
Other Expenses	410,306	39,319	14,934	464,559
Total Functional Expenses	$ 9,384,498	$ 1,313,283	$ 14,934	$ 10,712,715

See accompanying Notes to Financial Statements.

INLAND LEADERS CHARTER SCHOOLS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 2,236,651
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	24,082
Unrealized Gain/Loss on Investments	(28,708)
Change in Operating Assets:	
Accounts Receivable - Federal and State	(2,321,291)
Accounts Receivable - Other	3,514
Prepaid Expenses and Other Assets	(262,599)
Operating Right-of-use Assets, Net	(12,220)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(111,128)
Deferred Revenue	1,278,385
Operating Lease Liabilities	12,220
Net Cash Provided by Operating Activities	818,906
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property, Plant, and Equipment	(74,436)
Proceeds from Redemption of CDs	2,295,000
Purchase of Investments	(1,992,088)
Net Cash Provided by Investing Activities	228,476
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,047,382
Cash and Cash Equivalents - Beginning of Year	12,777,508
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,824,890

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The School is a nonprofit benefit corporation under the laws of the state of California for the purpose of managing and operating public charter schools located in Yucaipa. The School is economically dependent on state and federal funding.

The School commenced operations in the 2007-2008 school year and currently serves approximately 1,000 students in kindergarten through grade 8.

The mission of the School is to provide a state standards aligned curriculum aimed to serve a population of students who were formerly served primarily through home school and private schools, in a small site-based environment using a creative schedule, with an emphasis on family and student leadership training.

The School may be revoked by the Yucaipa-Calimesa Joint Unified School District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Cash and Cash Equivalents

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

Use of Estimates

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

Basis of Accounting

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

Functional Allocation of Expenses

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

Basis of Presentation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

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

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Accounts Receivable

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

Property Taxes

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

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities if they are material.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. Employees of the School are paid for days or hours worked based upon board approved schedules which include vacation.

Revenue Recognition

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

Contributions

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

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the School has conditional grants of $2,054,178 of which $1,525,054 that are recognized as deferred revenue in the statement of financial position because conditions have not yet been met.

Income Taxes

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files an exempt organization return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The School leases equipment and facilities. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

As most of leases do not provide an implicit rate, the School uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The School adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

The School elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a ROU asset at the carrying amount of the operating lease asset of $23,559. The School also recognized on July 1, 2022 a lease liability of $23,559, which represents the present value of the remaining lease payments discounted using the School's incremental borrowing rate of 7.5%.

Evaluation of Subsequent Events

The School has evaluated subsequent events through December 12, 2023, the date these financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks and revolving funds which are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and leasehold improvements over $15,000 and for equipment in excess of $5,000. Depreciation expense was $24,082 for the year ended June 30, 2023. The components of property, plant, and equipment as of June 30, 2023 are as follows:

Land	$ 289,295
Construction in Progress	39,367
Leasehold Improvements	374,420
Equipment, Furniture, and Fixtures	23,265
Total	726,347
Less: Accumulated Depreciation	(280,335)
Total Property, Plant, and Equipment	$ 446,012

NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2023:

Cash and Cash Equivalents	$ 13,824,890
Investments	2,525,570
Accounts Receivable - Federal and State	3,460,235
Accounts Receivable - Other	1,303
Less: Net Assets With Donor Restrictions	(176,251)
Financial Assets Available for General Expenditure	$ 19,635,747

As part of the School's liquidity management plan, the school invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 5 INVESTMENTS

Investments at June 30, 2023, are stated at fair market value and consist of the following:

Fixed Income (Level 1)	$ 1,588,078
Certificates of Deposit (Level 2)	1,322,925
Total	$ 2,911,003

In accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 – Quoted prices in an active market for identical assets.

Level 2 – Quoted prices for similar assets and market-corroborated inputs.

Level 3 – The School's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

A portion of the School's investments are classified as Level 2 in the fair value hierarchy because Certificate Deposits are not traded on the open market.

Investment activity for the year ended June 30, 2023, consisted of the following:

Interest and Dividends	$ 54,350
Unrealized Loss on Investment	28,708
Total Investment Income	$ 83,058

NOTE 6 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

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

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

State Teachers' Retirement System (STRS)

Plan Description

The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2022, total STRS plan net assets are $300 billion, the total actuarial present value of accumulated plan benefits is $434 billion, contributions from all employers totaled $6.513 billion, and the plan is 74.4% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for the year ended June 30, 2023 was 19.10% of annual payroll. The contributions of the plan members are established and may be amended by state statute.

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

Year Ending June 30,	Required Contribution	Percent Contributed
2021	$ 722,820	100%
2022	768,114	100%
2023	915,316	100%

NOTE 7 LEASES – ASC 842

The School leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2024. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Additionally, the agreements generally require the School to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the School's lease for the year ended June 30, 2023:

		2023
Lease Costs		
Operating Lease Costs	$	12,722
Short-Term Lease Costs		53,428
Total Lease Costs	$	66,150
Other Information:		
Operating Cash Flows from Operating Leases	$	12,722
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$	23,559
Weighted-Average Remaining Lease Term - Operating Leases		1 Year
Weighted-Average Discount Rate - Operating		7.50%

The School classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,		Operating Leases
2024	$	12,722
Less: Interest		(502)
Present Value of Lease Liabilities	$	12,220

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Net Assets With Donor Restriction:		
Subject to Expenditure for Specified Purpose:		
Child Nutrition Program		176,251
Total Net Assets With Donor Restriction	$	176,251

NOTE 9 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes which were allocated on the basis of estimates of time and effort. Additionally, management fees, office expenses, information technology, depreciation, occupancy, insurance and other expenses, were allocated on a square footage basis.

NOTE 10 FACILITY AGREEMENTS

The School has entered into a facility use agreement with Yucaipa-Calimesa Joint Unified School District (the District) that expires in June of 2025. The agreement does not require the School a minimum lease amount for the use of the facility, but instead the School pays the District a percentage of its principal apportionment revenue which represents its oversight fee and the use of the facility. The total paid under this agreement for the year ended June 30, 2023 was $296,186.

The School has entered into an agreement with Grace Point Fellowship Church (the Church) in January 2023 that expires in June of 2028. The agreement does not require the School a minimum lease amount for the use of the facility, but instead the School pays the Church a percentage of its principal apportionment revenue adjusted based on enrollment actuals. The total paid under this agreement for the year ended June 30, 2023 was $12,000.

NOTE 11 CONTINGENCIES, RISKS, AND UNCERTAINTIES

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

SUPPLEMENTARY INFORMATION

INLAND LEADERS CHARTER SCHOOLS
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED

The School established Inland Leaders Charter Schools in August 2007, when it was granted its charter through Yucaipa-Calimesa Joint Unified School District (the District) and its charter school status from the California Department of Education. The charters may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter school number is: 0889

The Board of Directors and the Administrators as of the year ended June 30, 2023 were as follows:

BOARD OF DIRECTORS

Member	Office	Term Expires (4 year term)
Jason Jimenez	Chairman	January 1, 2025
Bonnie Mitchell	Secretary	June 30, 2025
Michael Casavan	Treasurer	June 30, 2023
Aron Wolfe	Member	June 30, 2025
Eli Gillespie	Member	January 1, 2025

ADMINISTRATORS

Michael Gordon	Executive Director
Tracy Burson	Business Manager

INLAND LEADERS CHARTER SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Instructional Minutes		Traditional Calendar	
	Requirement	Actual	Days	Status
T-Kindergarten	36,000	37,590	179	In compliance
Kindergarten	36,000	54,595	179	In compliance
Grade 1	50,400	66,230	179	In compliance
Grade 2	50,400	66,230	179	In compliance
Grade 3	50,400	51,910	179	In compliance
Grade 4	54,000	54,595	179	In compliance
Grade 5	54,000	54,595	179	In compliance
Grade 6	54,000	54,595	179	In compliance
Grade 7	54,000	67,125	179	In compliance
Grade 8	54,000	67,125	179	In compliance

See accompanying Notes to Supplementary Information

INLAND LEADERS CHARTER SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Second Period Report			Annual Report		
	Classroom Based	Independent Study	Total	Classroom Based	Independent Study	Total
Grades TK/K-3	407.40	29.68	437.08	406.04	28.74	434.78
Grades 4-6	305.46	6.67	312.13	304.39	6.68	311.07
Grades 7-8	189.57	8.89	198.46	188.72	10.04	198.76
ADA Totals	902.43	45.24	947.67	899.15	45.46	944.61

See accompanying Notes to Supplementary Information

INLAND LEADERS CHARTER SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

There were no differences between the Annual Financial Report and the Audited Financial Statements.

See accompanying Notes to Supplementary Information

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

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

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of 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.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

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

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

Board of Directors
Inland Leaders Charter Schools
Yucaipa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Inland Leaders Charter Schools (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows, and for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 12, 2023.

Report on 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 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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Inland Leaders Charter Schools

Report on 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
December 12, 2023

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Directors
Inland Leaders Charter Schools
Yucaipa, California

<u>Report on Compliance</u>

Opinion on State Compliance

We have audited Inland Leaders Charter Schools' (the School) compliance with the types of compliance requirements applicable to the School described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2023. The School's applicable State compliance requirements are identified in the table below.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to the School for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School 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. Our audit does not provide a legal determination of the School'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 the School's state programs.

Auditors' Responsibility 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 the School'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 GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the School'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 the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with 2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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.

Board of Directors
Inland Leaders Charter Schools

Compliance Requirements Tested

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

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable[1]
After/Before School Education and Safety Program	Not Applicable[2]
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable[3]
Immunizations	Not Applicable[4]
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable[5]
Career Technical Education Incentive Grant (CTEIG)	Not Applicable[6]
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable[7]
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable[8]

Not Applicable[1]: The School did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable[2]: The School did not operate an after or before school program component of this grant.

Not Applicable[3]: The School did not report ADA pursuant to Education Code section 51749.5.

Not Applicable[4]: The School did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable[5]: There were no expenditures incurred for ELO-G in the audit year.

Not Applicable[6]: The School did not receive a CTEIG allocation for the audit year.

Not Applicable[7]: The School did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Not Applicable[8]: The School did not receive Charter School Facility Grant Program funding for the year audited.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
December 12, 2023

INLAND LEADERS CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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

Five Digit Code	Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
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

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* or the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

INLAND LEADERS CHARTER SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

There were no findings and questioned costs in the prior year.