



Annual Financial Report
June 30, 2023

Discovery Charter Preparatory School
CHARTER Number 0949

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

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Rudolph F. Silva, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Discovery Charter Preparatory School
(A California Nonprofit Public Benefit Corporation)
Sylmar, California

Report on the Combined Financial Statements

Opinion

We have audited the combined financial statements of Discovery Charter Preparatory School (the Charter School) and DCPS Eldridge Avenue, LLC (the LLC), (California Nonprofit Public Benefit Corporations), collectively known as (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related combined statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 (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 Combined Financial Statements section of our report. We are required to be independent of the Organization 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 10 to the financial statements, the Organization has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022, using the modified retrospective approach with no adjustment at the beginning of the adoption period. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 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 aggregate, they would influence the judgment made by a reasonable user based on the combined 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 combined 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 combined 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 Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in aggregate that raise substantial doubt about the Organization'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 combined financial statements as a whole. The accompanying supplementary information listed on the table of contents is presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Brea, California
December 4, 2023

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

	<u>Charter School</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash	1,997,164	\$ -	\$ -	\$ 1,997,164
Receivables	522,995	-	-	522,995
Prepaid expenses and other current assets	21,344	-	-	21,344
Total Current Assets	<u>2,541,503</u>	<u>-</u>	<u>-</u>	<u>2,541,503</u>
Non-Current Assets				
Operating lease right-of-use asset	6,122,311	-	(6,122,311)	-
Property and equipment	852,923	7,097,934	-	7,950,857
Less: accumulated depreciation	(502,696)	(1,058,314)	-	(1,561,010)
Total Non-Current Assets	<u>6,472,538</u>	<u>6,039,620</u>	<u>(6,122,311)</u>	<u>6,389,847</u>
Total Assets	<u>9,014,041</u>	<u>6,039,620</u>	<u>(6,122,311)</u>	<u>8,931,350</u>
LIABILITIES				
Current Liabilities				
Payables	252,226	-	-	252,226
Due to student groups	11,344	-	-	11,344
Refundable advance	829,759	-	-	829,759
Current portion of notes payable	-	175,738	-	175,738
Current portion of operating lease liability	175,087	-	(175,087)	-
Total Current Liabilities	<u>1,268,416</u>	<u>175,738</u>	<u>(175,087)</u>	<u>1,269,067</u>
Long-Term Obligations or Liabilities				
Notes payable, less current portion	-	6,235,462	-	6,235,462
Operating lease liability, less current portion	6,400,230	-	(6,400,230)	-
Total Liabilities	<u>7,668,646</u>	<u>6,411,200</u>	<u>(6,575,317)</u>	<u>7,504,529</u>
NET ASSETS (DEFICIT)				
Without Donor Restriction	1,345,395	(371,580)	453,006	1,426,821
Total Net Assets (Deficit)	<u>1,345,395</u>	<u>(371,580)</u>	<u>453,006</u>	<u>1,426,821</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 9,014,041</u>	<u>\$ 6,039,620</u>	<u>\$ (6,122,311)</u>	<u>\$ 8,931,350</u>

The accompanying notes are an integral part of these financial statements.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Charter School</u>	<u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Local Control Funding Formula	\$ 2,614,796	\$ -	\$ -	\$ 2,614,796
Federal revenue	241,681	-	-	241,681
Other State revenue	762,743	-	-	762,743
Local revenues	314,169	-	-	314,169
Lease Income	-	403,384	(403,384)	-
Total Revenue	<u>3,933,389</u>	<u>403,384</u>	<u>(403,384)</u>	<u>3,933,389</u>
EXPENSES				
Program services	3,244,254	-	(403,384)	2,840,870
Management and general	1,072,223	432,019	-	1,504,242
Total Expenses	<u>4,316,477</u>	<u>432,019</u>	<u>(403,384)</u>	<u>4,345,112</u>
CHANGE IN NET ASSETS	(383,088)	(28,635)	-	(411,723)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>1,728,483</u>	<u>(342,945)</u>	-	<u>1,385,538</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 1,345,395</u>	<u>\$ (371,580)</u>	<u>\$ -</u>	<u>\$ 973,815</u>

The accompanying notes are an integral part of these financial statements.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Charter School</u>	<u>LLC</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (383,088)	\$ (28,635)	\$ (411,723)
Adjustments to reconcile change in net assets to net cash used by operating activities			
Depreciation and amortization expense	102,612	198,320	300,932
Changes in operating assets and liabilities			
Increase in receivables	(117,691)	-	(117,691)
Increase in prepaid expenditures	(2,781)	-	(2,781)
Increase in refundable advance	482,634	-	482,634
Decrease in payables	(167,943)	-	(167,943)
Operating lease asset and liability	221,105	-	221,105
Net Cash Provided by Operating Activities	<u>134,848</u>	<u>169,685</u>	<u>304,533</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	<u>(22,870)</u>	<u>-</u>	<u>(22,870)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan principal payments	<u>-</u>	<u>(169,685)</u>	<u>(169,685)</u>
NET CHANGE IN CASH	111,978	-	111,978
CASH, BEGINNING OF YEAR	<u>1,885,186</u>	<u>-</u>	<u>1,885,186</u>
CASH, END OF YEAR	<u>\$ 1,997,164</u>	<u>\$ -</u>	<u>\$ 1,997,164</u>
Supplemental cash flow disclosure:			
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ 233,699</u>	<u>\$ 233,699</u>

The accompanying notes are an integral part of these financial statements.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Charter School		
	Program Services	Management and General	Subtotal
Personnel			
Salaries	\$ 1,296,810	\$ 614,882	\$ 1,911,692
Employee benefits	137,404	65,150	202,554
Payroll taxes	127,417	60,415	187,832
Total Personnel	<u>1,561,631</u>	<u>740,447</u>	<u>2,302,078</u>
Operating			
Educational programs	94,572	4,608	99,180
Occupancy	633,477	158,369	791,846
Student supplies	110,749	-	110,749
Office Supplies	6,031	-	6,031
Student nutrition	67,403	-	67,403
Special education fee	60,957	-	60,957
District supervisory fee	-	22,482	22,482
Depreciation and amortization	82,090	20,522	102,612
Non-capitalized equipment	32,020	-	32,020
Operating expenses	170,481	27,998	198,479
Fees for service	365,127	91,282	456,409
Advertising	33,658	-	33,658
Insurance	26,058	6,515	32,573
Interest expense	-	-	-
Total Operating	<u>1,682,623</u>	<u>331,776</u>	<u>2,014,399</u>
Total Functional Expenses	<u>\$ 3,244,254</u>	<u>\$ 1,072,223</u>	<u>\$ 4,316,477</u>

The accompanying notes are an integral part of these financial statements.

LLC			
Management and General	Eliminations	Total Expenses	
\$ -	\$ -	\$ 1,911,692	
-	-	202,554	
-	-	187,832	
-	-	2,302,078	
-	-	99,180	
-	(403,384)	388,462	
-	-	110,749	
-	-	6,031	
-	-	67,403	
-	-	60,957	
-	-	22,482	
198,320	-	300,932	
-	-	32,020	
-	-	198,479	
-	-	456,409	
-	-	33,658	
-	-	32,573	
233,699	-	233,699	
432,019	(403,384)	2,043,034	
\$ 432,019	\$ (403,384)	\$ 4,345,112	

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION AND MISSION

The Discovery Charter Preparatory School, Inc. (the Charter School) is a non-profit public benefit corporation. The Organization petitioned through Los Angeles Unified School District for a charter and was approved by the State of California Department of Education in 2006. The charter has been renewed by the Los Angeles Unified School District for a period of five years ending June 30, 2024. The charter may be revoked by the District for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Charter School number authorized by the State: 0949

The Charter School is located in Sylmar, California at 13570 Eldridge Avenue, opened on September 4, 2007, and currently serves approximately 200 students in grades nine through twelve. The Organization's mission is to provide students with the necessary skills and support so that every student is prepared to attend college upon graduation from high school. The faculty, staff, and other stakeholders envision a safe and nurturing learning environment where instruction is rigorous and meaningful. Also, they are dedicated to closing the achievement gap for students by providing supportive, individualized attention and high expectations for academic success. The Charter School is a California nonprofit public benefit corporation funded principally through state of California public education monies received through the California Department of Education.

Other Related Entities

DCPS Eldridge Avenue, LLC and DCPS Properties

The Organization formed DCPS Properties and the DCPS Eldridge Avenue, LLC (the LLC) exclusively for charitable purpose solely related to property and assets of the Organization, for charitable purposes as specified in Section (c)(3) of the Internal Revenue Service. The Charter School makes lease payments to the LLC in accordance with the lease agreement. The LLC is the sole member of DCPS Properties.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Principles of Combination

The combined financial statement includes the accounts of the Charter School and the LLC. The LLC is the sole member of DCPS Properties. Because the Charter School has both control and an economic interest in DCPS Properties and the LLC, the combined financial statements include the accounts of the Charter School and the LLC. All material intercompany transactions have been eliminated (Eliminations). As a part of its mission, the Organization has created limited liability companies that own real estate for educational purposes. The Charter School is the sole member of the LLC. The LLC leases these facilities to the Charter Schools.

Since this support is closely aligned with the Charter School and they are financially inter-related, the LLCs' financial information is combined with the Charter School's audit. This combination is required due to common control with shared leadership and management. For disclosure purposes, the financial information of the entities is separated within the report as a matter of clarification.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 restrictions. The board of directors has \$275,451 categorical programs designated net assets without donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

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

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2023, are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Property and Equipment

Fixed assets additions over \$5,000 are recorded 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 40 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 remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of fixed assets 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, 2023.

Compensated Absences

The Charter School does not allow employees to carryover paid time off. Accordingly, there were no accumulated compensated absence benefits at June 30, 2023.

Revenue and Revenue Recognition

Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At June 30, 2023, there were no conditional contributions for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Prepaid Expenses and Other Assets

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Organization has reported prepaid items either when purchased or during the benefiting period.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. 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 programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and qualifies for the charitable contribution deduction. It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Change in Accounting Principle

Effective January 1, 2020, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization elected to apply the guidance as of July 1, 2021, the beginning of the adoption period. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, a finance lease liability of \$6,575,317 and a finance right-of-use asset of \$6,122,311. The adoption of the new standard did not materially impact the Organization's Statement of Activities or Statement of Cash Flows. See Notes 10 and 11 for further disclosure of the Organization's lease contracts.

NOTE 2 – CASH

Cash at June 30, 2023, consisted of the following:

	<u>Charter School</u>	
	<u>Reported</u>	<u>Bank</u>
	<u>Amount</u>	<u>Balance</u>
Deposits		
Cash on hand and in banks	<u>\$ 1,997,164</u>	<u>\$ 2,055,401</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2023, the Organization has a balance of \$1,554,401 in excess of FDIC insured limits. Management believes that the Organization is not exposed to any significant risk related to cash.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprises the following:

Cash and cash equivalents	\$ 1,997,164
Accounts receivable and other assets	544,339
Total	<u>\$ 2,541,503</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023, consisted of the following:

Local control funding formula	\$ 193,134
Federal receivable	64,454
Other State receivable	239,027
Lottery	25,668
Other Local receivable	712
Total Receivables	<u>\$ 522,995</u>

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses at June 30, 2023, consisted of the following:

Insurance	<u>Charter School</u> <u>\$ 21,344</u>
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DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – PROPERTY AND EQUIPMENT

Fixed assets at June 30, 2023, consisted of the following:

	<u>Charter School</u>	<u>LLC</u>	<u>Total</u>
Leasehold improvements	\$ 451,208	\$ -	\$ 451,208
Building/Building improvements	-	7,097,934	7,097,934
Equipment	362,664	-	362,664
Furniture	39,051	-	39,051
Less: accumulated depreciation	<u>(502,696)</u>	<u>(1,058,314)</u>	<u>(1,561,010)</u>
Total fixed assets, net of depreciation	<u>\$ 350,227</u>	<u>\$ 6,039,620</u>	<u>\$ 6,389,847</u>

NOTE 7 – PAYABLES

Accounts payable at June 30, 2023, consisted of the following:

Salaries and benefits	\$ 185,979
Vendor payables	43,811
Due to grantor	22,436
Due to student groups	<u>11,344</u>
Total Payables	<u>\$ 263,570</u>

NOTE 8 – LINE OF CREDIT

The Charter School has an unsecured revolving line of credit with Umpqua for \$500,000 with an annual interest rate of 5.75%. There was no balance as of June 30, 2023.

NOTE 9 – LONG-TERM OBLIGATIONS

Summary

The changes in the Organization's long-term obligations during the year consisted of the following:

	<u>Balance</u>			<u>Balance</u>	<u>Due in</u>
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>	<u>One Year</u>
Loan payable - DPCS LLC	<u>\$ 6,735,323</u>	<u>\$ -</u>	<u>\$ 169,635</u>	<u>\$ 6,565,688</u>	<u>\$ 175,738</u>

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Loan Payable

In March 2022, the LLC entered into a loan agreement with Umpqua Bank in the amount of \$6,776,873. The purpose of the note was to refinance the land loan and other asset acquisitions. The note is secured by a first trust deed on real property located at 13570 Eldridge Avenue, Sylmar, California. The note bears interest at 3.51% and calls for 179 monthly payments of \$33,615 of principal and interest, and one balloon payment of \$3,538,413 in March 2037.

Future payments are as follows:

Repayment Year	Principal	Interest	Total
2024	\$ 175,738	\$ 227,646	\$ 403,384
2025	182,006	221,378	403,384
2026	188,498	214,886	403,384
2027	195,222	208,162	403,384
2028	202,186	201,198	403,384
Thereafter	5,622,038	1,129,675	6,751,713
Subtotal	6,565,688	2,202,945	8,768,633
Cost of Issuance	(154,488)	-	(154,488)
Total	<u>\$ 6,411,200</u>	<u>\$ 2,202,945</u>	<u>\$ 8,614,145</u>

NOTE 10 – OPERATING LEASE

The Organization leases certain real property for the operation of charter schools with various terms under long-term, non-cancelable operating lease agreements. The leases expire on June 30, 2037. The Organization included in the determination of the ROU assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The agreements generally require the Organization to pay repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization can elect the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the discount rate implicit in the lease.

The Organization has elected the short-term lease exemption for leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Organization has no real property short-term lease agreement for the year ended June 30, 2023.

The Organization elected the practical expedient to not separate lease and non-lease components for real estate leases.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Total lease costs for the year ended June 30, 2023, were as follows:

Operating lease cost	\$ 626,085
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The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 403,384

Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 6,561,276

The following table summarizes the weighted average remaining lease term and weighted-average discount rate:

Weighted-average remaining lease term:	
Operating leases	14.0 Years

Weighted-average discount rate:	
Operating leases	3.52%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023.

	<u>June 30, 2023</u>
	<u>Operating</u>
2024	\$ 403,384
2025	403,384
2026	403,384
2027	403,384
2028	403,384
Thereafter	<u>7,044,757</u>
Total lease payments	9,061,677
Less interest	<u>(2,486,360)</u>
Present value of lease liabilities	<u>\$ 6,575,317</u>

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – RELATED PARTY LEASE AGREEMENT

In August 2016, the Charter School entered into an operating lease agreement with the LLC for educational facilities located in Sylmar, California. The Charter School makes monthly lease payment to the LLC. The lease expires in June 2047. Rental expense for the year ended June 30, 2023, was \$626,085. This lease rental income is eliminated on the combining financial statements.

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

The Charter School offers an Internal Revenue Code Section 403(b) Thrift Plan to each of its qualifying employees. Employer and employee contributions are used to purchase annuity contracts for each participant. Employer contributions matched the 2% deducted from employee gross payroll until October 31, 2019. There were no employer contributions used to purchase annuity contracts for the year ended June 30, 2023.

NOTE 13 – RISK MANAGEMENT

Workers' Compensation

For fiscal year 2022-2023, the Organization participated with the Alliance of Schools for Cooperative Insurance Programs (ASCIP) for risk management services for workers' compensation insurance. The relationship between the Organization and ASCIP is such that ASCIP is not considered a component unit of the Organization for financial reporting purposes.

During the year ended June 30, 2023, the Organization made payments of \$23,540 to ASCIP for services received. At June 30, 2023, the Organization had no recorded accounts receivable or accounts payable to ASCIP.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Fees

The Los Angeles Unified School District receives 1% of the Charter School's annual ADA-related revenues for supervisory oversight and administrative services.

Grants

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

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2023

Litigation

The Organization is not currently a party to any legal proceedings.

NOTE 15 – SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the combined financial statements through December 4, 2023, which is the date the combined financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year's financial statements.

SUPPLEMENTARY INFORMATION

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023

ORGANIZATION

The Discovery Charter Preparatory School was granted in 2006 by the Los Angeles Unified School District. The Discovery Charter Preparatory School operates one school, grades nine through twelve.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Julian Almaraz	President	June 30, 2024
Estella Miranda	Treasurer	June 30, 2023
Nicole Albo-Lopez	Member	June 30, 2023
¹ Dr. Monty Perez	Member	June 30, 2023
² Gerald Kleiman	Member	June 30, 2023
Yemi Robinson	Member	June 30, 2023
Alicia Santana	Member	June 30, 2023

ADMINISTRATION

Dr. Karen Smith	Principal
Lucero Perez	Human Resources/Operations Manager

¹ Resigned June 30, 2023

² As of July 1, 2023

See accompanying note to supplementary information.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	164.66	163.46
Total Regular ADA	164.66	163.46
Classroom based ADA		
Ninth through twelfth	164.66	163.46
Total Classroom Based ADA	164.66	163.46

The Charter School operated a short-term independent study program.

See accompanying note to supplementary information.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023

Grade Level	1986-87 Minutes Requirement	2022-2023 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		65,107	180	N/A	Complied
Grade 10		65,107	180	N/A	Complied
Grade 11		65,107	180	N/A	Complied
Grade 12		65,107	180	N/A	Complied

See accompanying note to supplementary information.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Summarized below are the net assets balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

NET ASSETS

Balance, June 30, 2023, Unaudited Actuals	\$ 1,933,406
Increase in:	
Operating lease right-of-use asset	6,515,306
Operating lease right-of-use amortization	(392,995)
Accounts receivable	217,199
Accounts payable	(17,552)
Refundable advances	(309,952)
Operating lease liability	(6,575,317)
Decrease in:	
Cash	(78,842)
Accounts receivable	(16,174)
Due to Grantor Government	68,229
Prepaid expenses	(4,538)
Due to Student Groups	6,625
Balance, June 30, 2023, Audited Financial Statement	<u>\$ 1,345,395</u>

See accompanying note to supplementary information.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the school operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of Education Code Sections 47612 and 47612.5, if applicable.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

Rudolph F. Silva, CPA
Lisa D. Silva, CPA

**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***

Governing Board
Discovery Charter Preparatory School
(A California Nonprofit Public Benefit Corporation)
Sylmar, 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 combined financial statements of Discovery Charter Preparatory School (the Charter School) and DCPS Properties LLC (the LLC), collectively known as (the Organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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.

A handwritten signature in cursive script that reads "Silva + Silva CPAs".

Brea, California
December 4, 2023

Rudolph F. Silva, CPA
Lisa D. Silva, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE,

Governing Board
Discovery Charter Preparatory School
(A California Nonprofit Public Benefit Corporation)
San Bernardino, California

Report on Compliance

Opinion on State Compliance

We have audited Discovery Charter Preparatory School's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2023.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below 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 the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards 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 Organization 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 opinion. Our audit does not provide a legal determination of the Organization'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 Organization'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 the Organization’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 the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a 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 Organization’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *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 Organization’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization’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 the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the Organization’s compliance with the state laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below

	<u>Procedures Performed</u>
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
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	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No, see below
Transitional Kindergarten	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Programs listed above for "Local Education Agencies Other Than Charter Schools" are not applicable to charter schools; therefore, we did not perform any related procedures.

We did not perform California Clean Energy Jobs Act procedures because the Organization did not receive funding for this program.

We did not perform procedures for the After/Before School Education and Safety Program because the Organization did not offer the program.

The Organization does not offer an Independent Study-Course Based Program; therefore, we did not perform any procedures related to the Independent Study-Course Based Program.

The Organization's charter school was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform Career Technical Education Incentive Grant procedures because the Organization did not receive funding for this grant.

We did not perform Transitional Kindergarten procedures because the Organization does not operate the grade level.

The Organization did not operate Nonclassroom-Based Program ; therefore, we did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study and Determination of Funding for Nonclassroom-Based Program.

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 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 *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.



Brea, California
December 4, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Internal control over state programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

None reported

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

STATE COMPLIANCE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

None reported.

DISCOVERY CHARTER PREPARATORY SCHOOL
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.