

**STEM PREPARATORY SCHOOLS
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024

**OPERATING CHARTER SCHOOLS:
CROWN PREPARATORY ACADEMY - #1187
MATH AND SCIENCE COLLEGE PREPARATORY SCHOOL - #1412
STEM PREPARATORY ELEMENTARY SCHOOL - #1925**



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INDEPENDENT AUDITORS' REPORT

Governing Board
STEM Preparatory Schools
Los Angeles, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of STEM Preparatory Schools Inc. (STEM Prep), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of STEM Prep as of June 30, 2024, 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 Consolidated Financial Statements section of our report. We are required to be independent of STEM Prep 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.

Emphasis of Matter – Restatement

As described in Note 11 to the financial statements, STEM Prep restated total beginning net assets as of July 1, 2023 by \$3,836,841 to reflect debt forgiveness resulting from new market tax credit financing which was completed in the prior year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about STEM Prep's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 STEM Prep'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about STEM Prep'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 STEM Prep’s consolidated financial statements as a whole. The supplementary information (as identified in the table of contents) accompanying supplementary schedules, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the local education agency organization structure but does not include the consolidated financial statements and our auditors’ report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2024 on our consideration of STEM Prep’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 STEM Prep’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 11, 2024

**STEM PREPARATORY SCHOOLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 16,351,768
Accounts Receivable - Federal and State	2,875,311
Accounts Receivable - Other	24,270
Prepaid Expenses and Other Assets	281,849
Total Current Assets	<u>19,533,198</u>

NONCURRENT ASSETS

Deposits	61,005
Restricted Cash and Cash Equivalents	675,396
Operating ROU Asset	6,059,568
Property and Equipment, Net	13,503,301
Total Noncurrent Assets	<u>20,299,270</u>

Total Assets	<u>\$ 39,832,468</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 1,844,169
Deferred Revenue	4,491,415
Bonds Payable, Current Portion	90,000
Operating Lease Liability, Current Portion	261,680
Total Current Liabilities	<u>6,687,264</u>

LONG-TERM LIABILITIES

Operating Lease Liability, Less Current Portion	5,913,842
Grant Reserve Funds	675,396
Bonds Payable, Less Current Portion	10,194,404
Total Long-Term Liabilities	<u>16,783,642</u>
Total Liabilities	23,470,906

NET ASSETS

Without Donor Restrictions	16,262,946
With Donor Restrictions	98,616
Total Net Assets	<u>16,361,562</u>

Total Liabilities and Net Assets	<u>\$ 39,832,468</u>
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See accompanying Notes to Financial Statements.

**STEM PREPARATORY SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
State Revenue:			
Local Control Funding Formula	\$ 18,285,500	\$ -	\$ 18,285,500
Other State Revenue	5,014,180	-	5,014,180
Federal Revenue:			
Grants and Entitlements	4,461,274	-	4,461,274
Local Revenue:			
Contributions	254,213	-	254,213
Interest Income	390,358	-	390,358
Other Revenue	34,012	-	34,012
Net Assets Released from Restrictions	106,319	(106,319)	-
Total Revenues	28,545,856	(106,319)	28,439,537
EXPENSES			
Program Services	21,809,962	-	21,809,962
Management and General	5,893,687	-	5,893,687
Fundraising	2,657	-	2,657
Total Expenses	27,706,306	-	27,706,306
CHANGE IN NET ASSETS	839,550	(106,319)	733,231
Net Assets As Previously Reported - Beginning of Year	11,586,555	204,935	11,791,490
Restatement	3,836,841	-	3,836,841
Net Assets - Beginning of Year	15,423,396	204,935	15,628,331
NET ASSETS - END OF YEAR	\$ 16,262,946	\$ 98,616	\$ 16,361,562

See accompanying Notes to Financial Statements.

**STEM PREPARATORY SCHOOLS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 11,409,878	\$ 2,365,807	\$ -	\$ 13,775,685
Pension Expense	1,832,964	89,795	-	1,922,759
Other Employee Benefits	1,362,966	278,768	-	1,641,734
Payroll Taxes	286,258	160,792	-	447,050
Legal Expenses	-	63,827	-	63,827
Accounting Expenses	-	73,452	-	73,452
Other Fees for Services	2,794,076	778,695	-	3,572,771
Advertising and Promotions	-	104,429	-	104,429
Office Expenses	150,055	448,634	-	598,689
Information Technology	-	115,208	-	115,208
Occupancy	806,548	138,725	-	945,273
Travel	70,979	-	-	70,979
Interest	-	648,935	-	648,935
Depreciation	902,198	-	-	902,198
Insurance	-	306,257	-	306,257
Other Expenses	293,940	320,363	2,657	616,960
Noncapitalized Equipment	135,593	-	-	135,593
Nutrition Program Food & Supplies	803,344	-	-	803,344
Special Education Fees	272,570	-	-	272,570
Instructional Materials	505,070	-	-	505,070
District Oversight Fees	183,523	-	-	183,523
Total Functional Expenses	<u>\$ 21,809,962</u>	<u>\$ 5,893,687</u>	<u>\$ 2,657</u>	<u>\$ 27,706,306</u>

See accompanying Notes to Financial Statements.

**STEM PREPARATORY SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 733,231
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	871,547
Amortization of Bond Costs	30,651
Change in Operating Assets:	
Accounts Receivable	678,602
Accounts Receivable - Other	320,126
Prepaid Expenses	46,816
Operating ROU Lease Asset	132,975
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	(127,555)
Deferred Revenue	(370,022)
Operating Lease Liability	(74,998)
Net Cash Provided by Operating Activities	<u>2,241,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	<u>(250,970)</u>
Net Cash Used by Investing Activities	(250,970)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of Long-Term Debt	<u>(73,751)</u>
Net Cash Provided by Financing Activities	<u>(73,751)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,916,652
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>15,110,512</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 17,027,164</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	<u><u>\$ 652,287</u></u>
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION	
Cash and Cash Equivalents	\$ 16,351,768
Restricted Cash and Cash Equivalents	675,396
Total Cash and Cash Equivalents	<u><u>\$ 17,027,164</u></u>

See accompanying Notes to Financial Statements.

**STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

STEM Preparatory Schools (STEM Prep) previously known as Crown Preparatory Academy, Inc., was formed in 2008 as a California nonprofit organization. STEM Prep operates three schools Crown Preparatory Academy, Math and Science College Preparatory School, and STEM Preparatory Elementary School.

Mission

The mission of STEM Prep is to operate a small network of high performing schools, in a targeted area of Los Angeles and to develop TK through twelfth grade scholars into successful college graduates and professionals, through equal access and inspiration, rigorous curriculum, and a commitment to STEM Prep's core values.

Vision

The vision of STEM Prep is to create a kindergarten through college pipeline of individuals who will transform their community by closing the socio-economic, ethnic, and gender gaps in STEM fields, and serving as role models who exhibit scholarliness, advocacy, perseverance, and kindness.

STEM Preparatory Home Office

STEM Preparatory Home Office (the Home Office) performs administrative support provided to the individual schools and accounted for separately within the consolidating financial statements. the Home Office uses an allocation of cost based on student enrollment to calculate expenses to be charged out on each charter school.

Crown Preparatory Academy

Crown Preparatory Academy petitioned for a charter through Los Angeles Unified School District and was approved on May 6, 2010. The charter term expires in June 2028.

Charter school number authorized by the State: 1187

Crown Preparatory Academy is located at 2055 West 24th Street, Los Angeles, California 90018, and opened on August 23, 2010. Crown Preparatory Academy currently serves 452 students in grades fifth through eighth. Crown Preparatory Academy is a California public charter school, organized to provide an underserved area of Los Angeles with a standards-aligned STEM-themed educational program to develop scholars into successful college graduates and professionals, through equal access and inspiration, rigorous curriculum, and a commitment to our Core Values.

**STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Math and Science College Preparatory School

Math and Science College Preparatory School petitioned through Los Angeles Unified School District (LAUSD) for a charter and was approved by the State of California Department of Education in 2012. The charter term expires in June 2025.

Charter school number authorized by the State: 1412

Math and Science College Preparatory School is located at 3200 West Adams Boulevard, Los Angeles, California 90018 and first opened on August 8, 2013. Math and Science College Preparatory School currently serves 534 students in grades nine through twelve. Math and Science College Preparatory School is a California public charter school, organized to provide an underserved area of Los Angeles with a standards-aligned STEM-themed educational program to develop scholars into successful college graduates and professionals through equal access and inspiration, rigorous curriculum, and a commitment to our Core Values.

STEM Preparatory Elementary School

STEM Preparatory Elementary School petitioned through Los Angeles Unified School District (LAUSD) for a charter and was approved by the State of California Department of Education in 2018. The charter term expires in June 2026.

Charter school number authorized by the State: 1925

STEM Preparatory Elementary School is located at 1374 West 35th Street, Los Angeles, California 90007 and opened in August 2018. STEM Preparatory Elementary School currently serves 319 students in grades Transitional kindergarten through fifth. STEM Preparatory Elementary School is a California public charter school, organized to provide an underserved area of Los Angeles with a standards-aligned STEM-themed educational program to develop scholars into successful college graduates and professionals, through equal access and inspiration, rigorous curriculum and a commitment to our Core Values.

Other Related Entities

3200 Adams, Holding Corp

During 2016, 3200 Adams, Holding Corp (the Holding Corp) was formed (exclusively for the benefit of, to perform the functions of, and to carry out the purposes of STEM Prep) for charitable purposes as specified in Internal Revenue Code (IRC) Section 501(c)(3). There was no activity during the current year.

3200 Adams, LLC.

During 2016, 3200 Adams, LLC, (the Adams LLC) was formed (exclusively for the benefit of, to perform the functions of, and to carry out the purposes of STEM Prep), for charitable purposes as specified in IRC Section 501(c)(3). Math and Science College Preparatory School makes lease payments to the Adams, LLC, in accordance with the lease agreement.

**STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Related Entities (Continued)

1374 W. 35th St. LLC.

During 2018, 1374 W. 35th St, LLC, (the 35th St. LLC) was formed (exclusively for the benefit of, to perform the functions of, and to carry out the purposes of STEM Prep), for charitable purposes as specified in IRC Section 501(c)(3). STEM Preparatory Elementary School makes lease payments to the 35th St. LLC, in accordance with the lease agreement.

Principles of Consolidation

The consolidated financial statements include the accounts of the Home Office, STEM Preparatory Elementary School, Crown Preparatory Academy, and Math and Science College Preparatory School, because they are divisions of STEM Prep and the Adams LLC, and the 35th St. LLC, because STEM Prep has both control and an economic interest in the LLCs. All significant intracompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as STEM Prep.

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

The preparation of consolidated 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.

Net Assets

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

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

STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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 that resources be maintained in perpetuity. STEM Prep 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 statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

STEM Prep 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.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents includes certain cash and cash equivalent balances that are maintained according to debt reserve requirements.

Accounts Receivable and Credit Policies

Accounts receivable 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. Accounts receivable are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as STEP Prep deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2024, 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.

Intercompany Receivable/Payable

Intercompany receivable/payable results from a net cumulative difference between resources provided by the LLCs accounts to each charter school and reimbursement for those resources from each charter school to the LLCs. Operating transfers include certain costs of shared liabilities and shared assets between STEM Prep.

Capital Contribution

Math and Science College Preparatory School invested \$535,433 in a capital contribution to the Adams LLC as an investment for the building improvement located at 3200 W. Adams Blvd. in the city of Los Angeles, CA 90018 for its campus location.

STEM Preparatory Elementary School invested \$310,082 in a capital contribution to the 35th St. LLC as an investment for the building improvement located at 1374 W 35th Street in the city of Los Angeles, CA 90007 for its campus location.

STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation 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.

STEM Prep reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2024.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for STEM Prep are derived principally from state and federal sources. STEM Prep 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. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The majority of STEM Prep's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

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 (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 STEM Prep 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 consolidated statement of financial position. As of June 30, 2024, STEM Prep has conditional grants of \$4,656,782 of which \$4,491,415 is recognized as deferred revenue in the consolidated statement of financial position.

Functional Allocation of Expenses

Costs of providing STEM Prep's programs and other activities have been presented in the consolidated 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. The expenses that are allocated include salaries, pension expense, other employee benefits, payroll taxes, and occupancy which are allocated on the basis of estimates of time and effort.

Income Taxes

STEM Prep 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 IRC as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. STEM Prep is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, STEM Prep is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. STEM Prep 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 STEM Prep 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 consolidated financial statements. STEM Prep 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.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of STEM Prep's mission.

STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of STEM Prep. Full-time employees accrue paid vacation based on rates as stated in the employee handbook. A maximum of 16 days of vacation may be accrued.

Leases

STEM Prep leases certain school facilities and equipment and 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 STEM Prep's right to use an underlying asset for the lease term and lease liabilities represent STEM Prep'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, STEM Prep uses its incremental borrowing 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 lease terms may include options to extend or terminate the lease when it is reasonably certain that STEM Prep will exercise that option. STEM Prep 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.

STEM Prep 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.

In evaluating contracts to determine if they qualify as a lease, STEM Prep considers factors such as if STEM Prep has obtained substantially all of the rights to the underlying asset through exclusivity, if STEM Prep 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.

Evaluation of Subsequent Events

STEM Prep has evaluated subsequent events through December 11, 2024, the date these consolidated financial statements were available to be issued.

STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 LIQUIDITY AND AVAILABILITY

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

Cash and Cash Equivalents	\$ 16,351,768
Accounts Receivable	2,899,581
Less: Net Assets With Donor Restrictions	<u>(98,616)</u>
Total	<u><u>\$ 19,152,733</u></u>

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

NOTE 3 LONG-TERM RECEIVABLE

On May 17, 2016, STEM Prep on behalf of Math and Science College Preparatory School, entered into a promissory note agreement with Twain Investment Fund 164, LLC in the amount of \$576,262, and bearing an interest rate of 1%. From commencement through May 19, 2023, the note is interest only, with payments due monthly. As part of the loan forgiveness from the New Market Tax Credit financing winddown, the total balance of \$576,262 was extinguished as of June 30, 2024.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment in the accompanying consolidated financial statements are presented net of accumulated depreciation. Depreciation expense was \$871,547 for the year ended June 30, 2024. Property and equipment consist of the following as of June 30, 2024:

Land	\$ 3,389,869
Building	15,219,693
Computer Equipment	947,242
Furniture	194,711
Work in Progress	<u>29,772</u>
Total	19,781,287
Less: Accumulated Depreciation	<u>(6,277,986)</u>
Property and Equipment, Net	<u><u>\$ 13,503,301</u></u>

**STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 5 BONDS PAYABLE

In May 2023 the Adams LLC obtained bond financing in the amount of \$11,135,000 (the Series 2023 Bonds), proceeds from which were used to refinance existing debt and fund certain charter school educational facilities project expenses. Interest is paid semi-annually at coupon rates ranging from 5.00% to 6.50%.

The Series 2023 bonds are divided into \$10,625,000 Series 2023A and \$510,000 Series 2023B (taxable). The Series 2023 bonds mature between June 2029 and 2063 (Series 2023A) and between 2024 and 2029 (Series 2023B).

Future maturities of bonds payable is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 90,000
2026	95,000
2027	100,000
2028	110,000
2029	115,000
Thereafter	<u>10,551,250</u>
Subtotal	11,061,250
Premium	4,562
Bond Costs	<u>(781,408)</u>
Total	<u><u>\$ 10,284,404</u></u>

NOTE 6 GRANT RESERVE FUNDS

The grant reserve balance of \$675,396 at June 30, 2024 represents the balance of the project acceleration notes and credit enhancement alternatives program funds deposited with the trustee to maintain Adams LLC bond reserve requirement. The project acceleration notes and credit enhancement alternatives program is funded by a federal award from the U.S. Department of Education to serve as credit enhancement for charter school facilities. The proceeds from the program are to be used only if 3200 Adams LLC does not have any other legally available funds for debt service. The grant funds are to be returned to the California School Finance Authority upon the refinance or maturity of the bonds. There were no amounts used from this program during the year ended June 30, 2024.

NOTE 7 LEASES – ASC 842

STEM Prep leases equipment and school facilities from unrelated parties for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2057 and provide for renewal options ranging from 1 month to 5 years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require STEM Prep to pay real estate taxes, insurance, and repairs. Some lease agreements also require STEM Prep to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2024, STEM Prep believes it was in compliance with all ratios and covenants.

STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 LEASES – ASC 842 (CONTINUED)

The following table provides quantitative information concerning STEM Prep’s lease for the year ended June 30, 2024:

	Amount
Operating Lease Costs	\$ 327,393
Total Lease Costs	\$ 327,393
Other Information:	
Operating Cash Flows from Operating Leases	\$ 269,416
Weighted-Average Remaining Lease Term - Operating Leases	33.3 Years
Weighted-Average Discount Rate - Operating	3.14%

STEM Prep 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, 2024 is as follows:

Year Ending June 30,	Operating Leases
2025	\$ 261,806
2026	246,587
2027	255,386
2028	259,785
2029	259,785
Thereafter	8,999,959
Total Lease Payments	10,283,308
Less: Interest	(4,107,786)
Present Value of Lease Liability	\$ 6,175,522

NOTE 8 FACILITIES USE AGREEMENT

Crown Preparatory Academy has a facilities use agreement with Los Angeles Unified School District (the District) in which the school occupies 24th Street Elementary School for its campus location. The term of this agreement expires in June of 2024. The total paid to the District under this agreement for the year ended June 30, 2024 was \$287,872.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2024:

Subject to Expenditure for Specified Purpose:	
Child Nutrition	\$ 98,616
Total Net Assets With Donor Restrictions	\$ 98,616

**STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

Release of Net Assets	
By Satisfying Purpose Restriction	<u>\$ 106,319</u>

NOTE 10 EMPLOYEE RETIREMENT

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the state of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

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 STEM Prep chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. STEM Prep has no plans to withdraw from this multiemployer plan.

California State Teachers' Retirement System (CalSTRS)

Plan Description

STEM Prep contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2023 total STRS plan net assets are \$316.9 billion, the total actuarial present value of accumulated plan benefits is \$455 billion, contributions from all employers totaled \$7.738 billion, and the plan is 75.9% funded. STEM Prep 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 10.205% of their salary. STEM Prep 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 year ended June 30, 2024 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

**STEM PREPARATORY SCHOOLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

STEM Prep's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Contributed</u>
2022	\$ 1,313,637	100%
2023	\$ 1,673,900	100%
2024	\$ 1,828,355	100%

Defined Contribution Plan

STEM Prep offers an Internal Revenue Code Section 403(b) retirement plan to its qualifying employees. Permanent salaried employees who work over 30 hours per week and who are ineligible to participate in CalSTRS will receive a matching contribution up to 3% of their compensation. For the year ended June 30, 2024 the total employer contributions to the plan were \$94,404.

NOTE 11 RESTATEMENT

Beginning net assets were restated as follows to recognize new market tax credit financing unwinding which occurred in the prior year.

<u>At June 30, 2023</u>	<u>As Originally Presented</u>	<u>Restatement</u>	<u>Restated</u>
Notes Receivable	\$ 576,262	\$ (576,262)	\$ -
Notes Payable	4,413,103	(4,413,103)	-
Net Assets Without Donor Restrictions	11,791,490	3,836,841	15,628,331

NOTE 12 CONTINGENCIES, RISKS, AND UNCERTAINTIES

STEM Prep 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.

SUPPLEMENTARY INFORMATION

**STEM PREPARATORY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Crown Prep Academy	Math & Science College Prep School	STEM Prep Elementary School	Federal Expenditure Total
U.S. Department of Education						
Pass-Through California Department of Education (CDE):						
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):						
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	\$ 55	\$ 59	\$ 28	\$ 142
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	576,511	1,069,814	544,717	2,191,042
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	200,824	233,874	162,244	596,942
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	25,154	38,570	-	63,724
Total CARES Act (COVID-19):			<u>802,544</u>	<u>1,342,317</u>	<u>706,989</u>	<u>2,851,850</u>
Special Education Cluster:						
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	105,538	123,328	72,339	301,205
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	186,263	210,037	120,366	516,666
Title II, Part A, Supporting Effective Instruction	84.367	14341	20,130	23,499	12,672	56,301
Title III, English Learner Student Program	84.365	14346	39,023	-	-	39,023
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	12,168	15,664	10,000	37,832
Total U.S. Department of Education			<u>1,165,666</u>	<u>1,714,845</u>	<u>922,366</u>	<u>3,802,877</u>
U.S. Department of Agriculture						
Pass-Through CDE:						
Child Nutrition Cluster:						
Especially Needy Breakfast	10.553	13526	50,788	38,565	48,947	138,300
National School Lunch Program	10.555	13524	135,655	103,008	130,735	369,398
Total Child Nutrition Cluster			<u>186,443</u>	<u>141,573</u>	<u>179,682</u>	<u>507,698</u>
Child and Adult Care Food Program	10.558	13393	53,472	7,481	89,746	150,699
Total U.S. Department of Agriculture			<u>239,915</u>	<u>149,054</u>	<u>269,428</u>	<u>658,397</u>
Total Federal Programs			<u>\$ 1,405,581</u>	<u>\$ 1,863,899</u>	<u>\$ 1,191,794</u>	<u>\$ 4,461,274</u>

N/A - Pass-Through Entity Identifying Number not available.

**STEM PREPARATORY SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2024**

	Instructional Minutes		Credited Minutes Per Approved J13A Form*	Total Actual Plus Credited Minutes	Traditional Calendar Days	Credited Days Per Approved J13A Form*	Total Actual Plus Credited Days	Status
	Requirement	Actual						
Crown Preparatory Academy								
Grade 5	54,000	63,450	315	63,765	174	1	175	In compliance
Grade 6	54,000	63,030	325	63,355	174	1	175	In compliance
Grade 7	54,000	63,030	325	63,355	174	1	175	In compliance
Grade 8	54,000	63,030	325	63,355	174	1	175	In compliance
Math and Science College Preparatory School								
Grade 9	64,800	66,515	325	66,840	181	1	182	In compliance
Grade 10	64,800	66,515	325	66,840	181	1	182	In compliance
Grade 11	64,800	66,515	325	66,840	181	1	182	In compliance
Grade 12	64,800	66,515	325	66,840	181	1	182	In compliance
Stem Preparatory Elementary School								
Grade TK	36,000	60,915	370	61,285	174	1	175	In compliance
Grade K	36,000	65,640	400	66,040	174	1	175	In compliance
Grade 1	50,400	62,133	377	62,510	174	1	175	In compliance
Grade 2	50,400	62,133	377	62,510	174	1	175	In compliance
Grade 3	50,400	62,133	377	62,510	174	1	175	In compliance
Grade 4	54,000	63,543	387	63,930	174	1	175	In compliance
Grade 5	54,000	63,543	387	63,930	174	1	175	In compliance

* The charter school(s) received an approved J-13A identifying the number of days and minutes approved.

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2024**

	Second Period Report		Audit Adjustments		Second Period Report (Audited)	
	Classroom Based	Total	Classroom Based	Total	Classroom Based	Total
Crown Preparatory Academy						
Grades 4-6	192.34	192.44	-	-	192.34	192.44
Grades 7-8	221.00	221.24	-	-	221.00	221.24
Totals	<u>413.34</u>	<u>413.68</u>	<u>-</u>	<u>-</u>	<u>413.34</u>	<u>413.68</u>
Math and Science College Preparatory School						
Grades 9-12	483.05	483.41	-	-	483.05	483.41
Totals	<u>483.05</u>	<u>483.41</u>	<u>-</u>	<u>-</u>	<u>483.05</u>	<u>483.41</u>
STEM Preparatory Elementary School						
Grades TK/K-3	180.88	180.92	-	-	180.88	180.92
Grades 4-6	102.57	102.63	-	(0.04)	102.57	102.59
Totals	<u>283.45</u>	<u>283.55</u>	<u>-</u>	<u>(0.04)</u>	<u>283.45</u>	<u>283.51</u>
ADA Totals	<u>1,179.84</u>	<u>1,180.64</u>	<u>-</u>	<u>(0.04)</u>	<u>1,179.84</u>	<u>1,180.60</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONTINUED)
YEAR ENDED JUNE 30, 2024**

	Annual Report		Audit Adjustments		Annual Report (Audited)	
	Classroom Based	Total	Classroom Based	Total	Classroom Based	Total
Crown Preparatory Academy						
Grades 4-6	191.10	191.19			191.10	191.19
Grades 7-8	220.87	221.06	-	-	220.87	221.06
Totals	<u>411.97</u>	<u>412.25</u>	<u>-</u>	<u>-</u>	<u>411.97</u>	<u>412.25</u>
Math and Science College Preparatory School						
Grades 9-12	479.85	480.26	-	-	479.85	480.26
Totals	<u>479.85</u>	<u>480.26</u>	<u>-</u>	<u>-</u>	<u>479.85</u>	<u>480.26</u>
STEM Preparatory Elementary School						
Grades TK/K-3	179.44	179.47	-	-	179.44	179.47
Grades 4-6	101.91	102.01	-	(0.03)	101.91	101.98
Totals	<u>281.35</u>	<u>281.48</u>	<u>-</u>	<u>(0.03)</u>	<u>281.35</u>	<u>281.45</u>
ADA Totals	<u>1,173.17</u>	<u>1,173.99</u>	<u>-</u>	<u>(0.03)</u>	<u>1,173.17</u>	<u>1,173.96</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

	Crown Prep Academy	Math & Science College Prep School	STEM Prep Elementary School
June 30, 2024 Annual Financial Report Fund Balances (Net Assets)	\$ 6,288,226	\$ 7,340,716	\$ 2,971,977
Adjustments and Reclassifications:			
Increase (Decrease) of Fund Balance (Net Assets):			
Cash and Cash Equivalents	4,801	(14,400)	9,600
Accounts Receivable - Federal and State	(27,724)	(129,237)	(359,798)
Prepaid Expenses and Other Assets	(600)	-	-
Capital Contribution	-	-	(8,164)
Accounts Payable and Accrued Liabilities	(4,347)	(222,329)	(39,085)
Deferred Revenue	31,924	128,302	367,435
Operating Lease Liability	-	158,521	-
Net Adjustments and Reclassifications	4,054	(79,143)	(30,012)
June 30, 2024 Audited Financial Statement Fund Balances (Net Assets)	\$ 6,292,280	\$ 7,261,573	\$ 2,941,965

See accompanying Notes to Supplementary Information.

STEM PREPARATORY SCHOOLS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS	Home Office	Crown Prep Academy	Math & Science College Prep School	STEM Prep Elementary School	3200 Adams Holding Corp	Adams LLC	35th Street LLC	Eliminations	Total
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 390,176	\$ 5,411,391	\$ 6,963,493	\$ 3,212,840	\$ -	\$ 2,963,179	\$ (2,589,311)	\$ -	\$ 16,351,768
Accounts Receivable - Federal and State	-	1,165,462	1,169,707	540,142	-	-	-	-	2,875,311
Accounts Receivable - Other	(4,931)	4,945	89,413	24,443	-	-	-	(89,600)	24,270
Intercompany Receivables	7,959	-	37,694	-	-	-	336,918	(382,571)	-
Prepaid Expenses and Other Assets	55,831	81,716	75,952	67,401	-	-	949	-	281,849
Total Current Assets	<u>449,035</u>	<u>6,663,514</u>	<u>8,336,259</u>	<u>3,844,826</u>	<u>-</u>	<u>2,963,179</u>	<u>(2,251,444)</u>	<u>(472,171)</u>	<u>19,533,198</u>
NONCURRENT ASSETS									
Deposits	-	10,339	31,939	16,227	-	-	2,500	-	61,005
Restricted Cash and Cash Equivalents	-	-	-	-	-	675,396	-	-	675,396
Capital Contribution	-	-	535,433	310,082	-	-	-	(845,515)	-
Investment in Subsidiary	-	-	-	-	461,525	-	-	(461,525)	-
Deferred Rent Asset	-	-	-	-	-	-	51,256	(51,256)	-
Operating ROU Asset	15,093	-	8,876,789	6,449,689	-	-	6,044,475	(15,326,478)	6,059,568
Property and Equipment, Net	38,942	1,869,546	492,263	262,922	-	8,486,030	2,353,598	-	13,503,301
Total Noncurrent Assets	<u>54,035</u>	<u>1,879,885</u>	<u>9,936,424</u>	<u>7,038,920</u>	<u>461,525</u>	<u>9,161,426</u>	<u>8,451,829</u>	<u>(16,684,774)</u>	<u>20,299,270</u>
Total Assets	<u>\$ 503,070</u>	<u>\$ 8,543,399</u>	<u>\$ 18,272,683</u>	<u>\$ 10,883,746</u>	<u>\$ 461,525</u>	<u>\$ 12,124,605</u>	<u>\$ 6,200,385</u>	<u>\$ (17,156,945)</u>	<u>\$ 39,832,468</u>
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable and Accrued Liabilities	\$ 238,243	\$ 609,033	\$ 580,129	\$ 347,570	\$ -	\$ 148,533	\$ 10,261	\$ (89,600)	\$ 1,844,169
Intercompany Payables	-	4,345	-	-	-	378,226	-	(382,571)	-
Deferred Revenue	-	1,637,741	1,760,408	1,093,266	-	-	-	-	4,491,415
Bonds Payable, Current Portion	-	-	-	-	-	90,000	-	-	90,000
Operating Lease Liability, Current Portion	15,093	-	572,865	400,155	-	-	246,587	(973,020)	261,680
Total Current Liabilities	<u>253,336</u>	<u>2,251,119</u>	<u>2,913,402</u>	<u>1,840,991</u>	<u>-</u>	<u>616,759</u>	<u>256,848</u>	<u>(1,445,191)</u>	<u>6,687,264</u>
LONG-TERM LIABILITIES									
Operating Lease Liability, Less Current Portion	-	-	8,097,708	6,100,790	-	-	5,913,842	(14,198,498)	5,913,842
Deferred Rent Liability	-	-	-	-	-	206,216	-	(206,216)	-
Grant Reserve Funds	-	-	-	-	-	675,396	-	-	675,396
Bonds Payable, Net	-	-	-	-	-	10,194,404	-	-	10,194,404
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>8,097,708</u>	<u>6,100,790</u>	<u>-</u>	<u>11,076,016</u>	<u>5,913,842</u>	<u>(14,404,714)</u>	<u>16,783,642</u>
Total Liabilities	<u>253,336</u>	<u>2,251,119</u>	<u>11,011,110</u>	<u>7,941,781</u>	<u>-</u>	<u>11,692,775</u>	<u>6,170,690</u>	<u>(15,849,905)</u>	<u>23,470,906</u>
NET ASSETS									
Without Donor Restrictions	249,734	6,292,280	7,261,573	2,843,349	461,525	431,830	29,695	(1,307,040)	16,262,946
With Donor Restrictions	-	-	-	98,616	-	-	-	-	98,616
Total Net Assets	<u>249,734</u>	<u>6,292,280</u>	<u>7,261,573</u>	<u>2,941,965</u>	<u>461,525</u>	<u>431,830</u>	<u>29,695</u>	<u>(1,307,040)</u>	<u>16,361,562</u>
Total Liabilities and Net Assets	<u>\$ 503,070</u>	<u>\$ 8,543,399</u>	<u>\$ 18,272,683</u>	<u>\$ 10,883,746</u>	<u>\$ 461,525</u>	<u>\$ 12,124,605</u>	<u>\$ 6,200,385</u>	<u>\$ (17,156,945)</u>	<u>\$ 39,832,468</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

	Home Office	Crown Prep Academy	Math & Science College Prep School	STEM Prep Elementary School	3200 Adams Holding Corp	Adams LLC	35th Street LLC	Eliminations	Total
REVENUES, WITHOUT DONOR RESTRICTION									
State Revenue:									
Local Control Funding Formula	\$ -	\$ 5,811,796	\$ 8,246,318	\$ 4,227,386	\$ -	\$ -	\$ -	\$ -	\$ 18,285,500
Other State Revenue	-	1,467,981	1,542,305	2,003,894	-	-	-	-	5,014,180
Federal Revenue:									
Grants and Entitlements	-	1,405,581	1,863,899	1,191,794	-	-	-	-	4,461,274
Local Revenue:									
Contributions	138,493	9,470	67,396	38,854	-	-	-	-	254,213
Interest Income	338,045	-	-	-	-	52,313	-	-	390,358
Other Revenue	5,373,119	11,223	17,710	12,384	-	384,488	447,423	(6,212,335)	34,012
Loss on Ownership of Subsidiary	-	-	-	-	(868,368)	-	-	868,368	-
Net Assets Released from Restrictions	-	50,968	-	55,351	-	-	-	-	106,319
Total Revenues	<u>5,849,657</u>	<u>8,757,019</u>	<u>11,737,628</u>	<u>7,529,663</u>	<u>(868,368)</u>	<u>436,801</u>	<u>447,423</u>	<u>(5,343,967)</u>	<u>28,545,856</u>
EXPENSES									
Program Services	3,124,156	6,852,675	8,025,828	6,345,607	-	596,839	463,067	(3,598,210)	21,809,962
Management and General	2,745,553	1,580,387	2,410,831	1,078,355	-	437,596	255,090	(2,614,125)	5,893,687
Fundraising	-	-	2,656	1	-	-	-	-	2,657
Total Expenses	<u>5,869,709</u>	<u>8,433,062</u>	<u>10,439,315</u>	<u>7,423,963</u>	<u>-</u>	<u>1,034,435</u>	<u>718,157</u>	<u>(6,212,335)</u>	<u>27,706,306</u>
Change in Net Assets Without Donor Restriction	(20,052)	323,957	1,298,313	105,700	(868,368)	(597,634)	(270,734)	868,368	839,550
NET ASSETS WITH DONOR RESTRICTION									
Net Assets Released from Restriction	-	(50,968)	-	(55,351)	-	-	-	-	(106,319)
Change in Net Assets With Donor Restrictions	-	(50,968)	-	(55,351)	-	-	-	-	(106,319)
CHANGE IN NET ASSETS	(20,052)	272,989	1,298,313	50,349	(868,368)	(597,634)	(270,734)	868,368	733,231
Net Assets as Previously Reported - Beginning of Year	269,786	6,019,291	6,539,522	2,891,616	(3,083,210)	(3,383,639)	300,429	2,237,695	11,791,490
Restatement	-	-	(576,262)	-	4,413,103	4,413,103	-	(4,413,103)	3,836,841
Net Assets Restated - Beginning of Year	<u>269,786</u>	<u>6,019,291</u>	<u>5,963,260</u>	<u>2,891,616</u>	<u>1,329,893</u>	<u>1,029,464</u>	<u>300,429</u>	<u>(2,175,408)</u>	<u>15,628,331</u>
NET ASSETS - END OF YEAR	<u>\$ 249,734</u>	<u>\$ 6,292,280</u>	<u>\$ 7,261,573</u>	<u>\$ 2,941,965</u>	<u>\$ 461,525</u>	<u>\$ 431,830</u>	<u>\$ 29,695</u>	<u>\$ (1,307,040)</u>	<u>\$ 16,361,562</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	Home Office				Crown Preparatory Academy			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Management and General	Fundraising	Subtotal
Salaries	\$ 2,189,095	\$ 1,165,802	\$ -	\$ 3,354,897	\$ 3,181,158	\$ 353,935	\$ -	\$ 3,535,093
Pension Expense	388,152	82,338	-	470,490	516,019	1,550	-	517,569
Other Employee Benefits	256,298	136,492	-	392,790	406,193	45,193	-	451,386
Payroll Taxes	34,112	65,217	-	99,329	78,420	28,049	-	106,469
Legal Expenses	-	49,313	-	49,313	-	7,558	-	7,558
Accounting Expenses	-	73,452	-	73,452	-	-	-	-
Other Fees for Services	122,501	559,020	-	681,521	749,671	123,457	-	873,128
Advertising and Promotions	-	75,311	-	75,311	-	13,811	-	13,811
Office Expenses	36,481	38,699	-	75,180	3,592	98,554	-	102,146
Information Technology	-	87,758	-	87,758	-	10,507	-	10,507
Occupancy	1,583	1,054	-	2,637	259,895	67,028	-	326,923
Travel	54,783	-	-	54,783	2,784	-	-	2,784
Interest	-	-	-	-	-	-	-	-
Depreciation	19,135	-	-	19,135	18,390	-	-	18,390
Insurance	-	298,496	-	298,496	-	-	-	-
Other Expenses	4,765	112,601	-	117,366	81,507	43,249	-	124,756
Noncapitalized Equipment	-	-	-	-	50,096	-	-	50,096
Nutrition Program Food & Supplies	-	-	-	-	332,589	-	-	332,589
Special Education Fees	-	-	-	-	95,504	-	-	95,504
Instructional Materials	17,251	-	-	17,251	121,808	-	-	121,808
Intra-Agency fees	-	-	-	-	896,089	787,496	-	1,683,585
District Oversight Fees	-	-	-	-	58,960	-	-	58,960
Subtotal	<u>3,124,156</u>	<u>2,745,553</u>	<u>-</u>	<u>5,869,709</u>	<u>6,852,675</u>	<u>1,580,387</u>	<u>-</u>	<u>8,433,062</u>
Eliminations	-	-	-	-	(896,089)	(787,496)	-	(1,683,585)
Total Expenses by Function	<u>\$ 3,124,156</u>	<u>\$ 2,745,553</u>	<u>\$ -</u>	<u>\$ 5,869,709</u>	<u>\$ 5,956,586</u>	<u>\$ 792,891</u>	<u>\$ -</u>	<u>\$ 6,749,477</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2024**

	Math & Science College Preparatory School				STEM Preparatory Elementary School			
	Program Services	Management and General	Fundraising	Subtotal	Program Services	Management and General	Fundraising	Subtotal
Salaries	\$ 3,535,355	\$ 532,215	\$ -	\$ 4,067,570	\$ 2,504,270	\$ 313,855	\$ -	\$ 2,818,125
Pension Expense	564,751	3,105	-	567,856	364,042	2,802	-	366,844
Employee Benefits	368,575	55,486	-	424,061	331,900	41,597	-	373,497
Payroll Taxes	93,670	43,822	-	137,492	80,056	23,704	-	103,760
Legal Expenses	-	6,758	-	6,758	-	-	-	-
Accounting Expenses	-	-	-	-	-	-	-	-
Other Fees for Services	475,795	30,381	-	506,176	1,446,109	71,402	-	1,517,511
Advertising and Promotions	-	9,869	-	9,869	-	5,438	-	5,438
Office Expenses	16,354	170,876	-	187,230	93,628	140,505	-	234,133
Information Technology	-	12,158	-	12,158	-	4,785	-	4,785
Occupancy	519,147	102,442	-	621,589	459,925	69,229	-	529,154
Travel	13,350	-	-	13,350	62	-	-	62
Interest	-	-	-	-	-	-	-	-
Depreciation	91,627	-	-	91,627	17,704	-	-	17,704
Insurance	-	-	-	-	-	-	-	-
Other Expenses	131,442	86,028	2,656	220,126	76,226	37,128	1	113,355
Noncapitalized Equipment	69,591	-	-	69,591	15,906	-	-	15,906
Nutrition Program Food & Supplies	176,685	-	-	176,685	294,070	-	-	294,070
Special Education Fees	111,604	-	-	111,604	65,462	-	-	65,462
Instructional Materials	230,676	-	-	230,676	135,335	-	-	135,335
Intra-Agency fees	1,544,912	1,357,691	-	2,902,603	418,643	367,910	-	786,553
District Oversight Fees	82,294	-	-	82,294	42,269	-	-	42,269
Subtotal	<u>8,025,828</u>	<u>2,410,831</u>	<u>2,656</u>	<u>10,439,315</u>	<u>6,345,607</u>	<u>1,078,355</u>	<u>1</u>	<u>7,423,963</u>
Eliminations	<u>(1,880,627)</u>	<u>(1,408,230)</u>	<u>-</u>	<u>(3,288,857)</u>	<u>(821,494)</u>	<u>(418,399)</u>	<u>-</u>	<u>(1,239,893)</u>
Total Expenses by Function	<u>\$ 6,145,201</u>	<u>\$ 1,002,601</u>	<u>\$ 2,656</u>	<u>\$ 7,150,458</u>	<u>\$ 5,524,113</u>	<u>\$ 659,956</u>	<u>\$ 1</u>	<u>\$ 6,184,070</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2024**

	Adams LLC			35th Street LLC			Eliminations	Total
	Program Services	Management and General	Subtotal	Program Services	Management and General	Subtotal		
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,775,685
Pension Expense	-	-	-	-	-	-	-	1,922,759
Employee Benefits	-	-	-	-	-	-	-	1,641,734
Payroll Taxes	-	-	-	-	-	-	-	447,050
Legal Expenses	-	198	198	-	-	-	-	63,827
Accounting Expenses	-	-	-	-	-	-	-	73,452
Other Fees for Services	-	(5,565)	(5,565)	-	-	-	-	3,572,771
Advertising and Promotions	-	-	-	-	-	-	-	104,429
Office Expenses	-	-	-	-	-	-	-	598,689
Information Technology	-	-	-	-	-	-	-	115,208
Occupancy	-	-	-	304,564	-	304,564	(839,594)	945,273
Travel	-	-	-	-	-	-	-	70,979
Interest	-	398,614	398,614	-	250,321	250,321	-	648,935
Depreciation	596,839	-	596,839	158,503	-	158,503	-	902,198
Insurance	-	7,761	7,761	-	-	-	-	306,257
Other Expenses	-	36,588	36,588	-	4,769	4,769	-	616,960
Noncapitalized Equipment	-	-	-	-	-	-	-	135,593
Nutrition Program Food & Supplies	-	-	-	-	-	-	-	803,344
Special Education Fees	-	-	-	-	-	-	-	272,570
Instructional Materials	-	-	-	-	-	-	-	505,070
Intra-Agency fees	-	-	-	-	-	-	(5,372,741)	-
District Oversight Fees	-	-	-	-	-	-	-	183,523
Subtotal	<u>596,839</u>	<u>437,596</u>	<u>1,034,435</u>	<u>463,067</u>	<u>255,090</u>	<u>718,157</u>	<u>(6,212,335)</u>	<u>27,706,306</u>
Eliminations	-	-	-	-	-	-	6,212,335	-
Total Expenses by Function	<u>\$ 596,839</u>	<u>\$ 437,596</u>	<u>\$ 1,034,435</u>	<u>\$ 463,067</u>	<u>\$ 255,090</u>	<u>\$ 718,157</u>	<u>\$ -</u>	<u>\$ 27,706,306</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

	Home Office	Crown Prep Academy	Math & Science College Prep School	STEM Prep Elementary School	3200 Adams Holding Corp	Adams LLC	35th Street LLC	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Change in Net Assets	\$ (20,052)	\$ 272,989	\$ 1,298,313	\$ 50,349	\$ (868,368)	\$ (597,634)	\$ (270,734)	\$ 868,368	\$ 733,231
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation Expense	19,135	18,390	91,627	17,704	-	566,188	158,503	-	871,547
Amortization of Bond Costs	-	-	-	-	-	30,651	-	-	30,651
Change in Investment in Subsidiary	-	-	-	-	868,368	-	-	(868,368)	-
Change in Operating Assets:									
Accounts Receivable - Federal and State	-	624,578	(245,823)	299,847	-	-	-	-	678,602
Accounts Receivable - Other	14,575	(4,317)	246,968	(17,435)	-	41,250	39,085	-	320,126
Intercompany Receivables	(7,959)	-	(4,345)	-	-	2,194,923	(336,918)	(1,845,701)	-
Prepaid Expenses and Other Assets	24,587	8,297	36,947	(23,015)	-	-	-	-	46,816
Operating ROU Lease Asset	22,108	-	(119,791)	80,332	-	-	110,868	39,458	132,975
Deferred Rent Asset	-	-	-	-	-	-	(51,256)	51,256	-
Change in Operating Liabilities:									
Accounts Payable and Accrued Liabilities	85,746	(139,400)	(18,705)	(103,066)	-	37,609	10,261	-	(127,555)
Intercompany Payables	-	4,345	-	-	-	344,877	(2,194,923)	1,845,701	-
Deferred Revenue	-	141,961	(143,501)	(286,064)	-	(82,418)	-	-	(370,022)
Deferred Rent Liability	-	-	-	-	-	196,521	(1,307)	(195,214)	-
Operating Lease Liability	(22,108)	-	(76,731)	(27,769)	-	-	(52,890)	104,500	(74,998)
Net Cash Provided (Used) by Operating Activities	116,032	926,843	1,064,959	(9,117)	-	2,731,967	(2,589,311)	-	2,241,373
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of Property and Equipment	(3,787)	(28,472)	(52,998)	(165,713)	-	-	-	-	(250,970)
Net Cash Used by Investing Activities	(3,787)	(28,472)	(52,998)	(165,713)	-	-	-	-	(250,970)
CASH FLOWS FROM FINANCING ACTIVITIES									
Repayment of Long-Term Debt	-	-	-	-	-	(73,751)	-	-	(73,751)
Net Cash Provided (Used) by Financing Activities	-	-	-	-	-	(73,751)	-	-	(73,751)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	112,245	898,371	1,011,961	(174,830)	-	2,658,216	(2,589,311)	-	1,916,652
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	277,931	4,513,020	5,951,532	3,387,670	-	980,359	-	-	15,110,512
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 390,176</u>	<u>\$ 5,411,391</u>	<u>\$ 6,963,493</u>	<u>\$ 3,212,840</u>	<u>\$ -</u>	<u>\$ 3,638,575</u>	<u>\$ (2,589,311)</u>	<u>\$ -</u>	<u>\$ 17,027,164</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION									
Cash Paid for Interest	<u>\$ 3,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 398,614</u>	<u>\$ 250,321</u>	<u>\$ -</u>	<u>\$ 652,287</u>
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION									
Cash and Cash Equivalents	\$ 390,176	\$ 5,411,391	\$ 6,963,493	\$ 3,212,840	\$ -	\$ 2,963,179	\$ (2,589,311)	\$ -	\$ 16,351,768
Restricted Cash and Cash Equivalents	-	-	-	-	-	675,396	-	-	675,396
Cash and Cash Equivalents	<u>\$ 390,176</u>	<u>\$ 5,411,391</u>	<u>\$ 6,963,493</u>	<u>\$ 3,212,840</u>	<u>\$ -</u>	<u>\$ 3,638,575</u>	<u>\$ (2,589,311)</u>	<u>\$ -</u>	<u>\$ 17,027,164</u>

See accompanying Notes to Supplementary Information.

**STEM PREPARATORY SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of STEM Prep under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of STEM Prep, it is not intended to and does not present the financial position, changes in net assets, or cash flows of STEM Prep.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

STEM Prep has not elected to use the ten percent de minimis cost rate.

NOTE 2 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

This schedule provides information about STEM Prep's operations, members of the governing board, and members of the administration.

NOTE 3 SCHEDULE OF INSTRUCTIONAL TIME

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

NOTE 4 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of STEM Prep. 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 5 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited consolidated financial statements for the charter schools.

**STEM PREPARATORY SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024**

NOTE 6 CONSOLIDATING STATEMENTS

The accompanying consolidating financial statements report the individual programs of STEM Prep and the Holding Corp are presented on the accrual basis of accounting. Eliminating entries in the consolidated financial statements are due to activities between STEM Prep and the Holding Corp.

OTHER INFORMATION

**STEM PREPARATORY SCHOOLS
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2024**

Crown Preparatory Academy (Charter Number 1187) was granted on May 6, 2010, by the Los Angeles Unified School District and expires on June 30, 2028. Crown Preparatory Academy serves grades five through eight. Math and Science College Preparatory Schools (Charter Number 1412) was granted on February 7, 2012, by the Los Angeles Unified School District and expires on June 30, 2025. Math and Science College Preparatory School serves grades nine through twelve. STEM Preparatory Elementary School (Charter Number 1925) was granted on November 17, 2017, by the Los Angeles Unified School District and expires on June 30, 2026. STEM Preparatory Elementary School opened in August 2018. Stem Preparatory Elementary School serves grades transitional kindergarten through fifth.

The board of directors and the administrators as of the year ended June 30, 2024 were as follows:

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>2-Year Term Expires</u>
Carmen Vazquez	Chair	May 2025
Andrew Kubasek	Treasurer	May 2025
Desmond Lovell	Secretary	May 2025
Dale Henry	Member	May 2025
Brad Zutaut	Member	May 2025

ADMINISTRATION

Emilio Pack	Chief Executive Officer
Eric Barlow	Chief Operating Officer
Janette Rodriguez	Chief Academic Officer
Daniel Moreno	Principal
Lisa Marcelino	Principal
Yvonne Carillo	Principal



**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***

Governing Board
STEM Preparatory Schools
Los Angeles, 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 consolidated financial statements of STEM Preparatory Schools (STEM Prep), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered STEM Prep'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of STEM Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of STEM Prep'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the schedule of findings and questioned costs as item 2024-002, which we consider to be a material weakness.

Report on Compliance and Other Matters

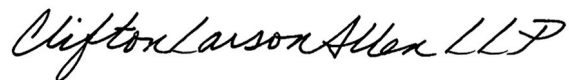
As part of obtaining reasonable assurance about whether STEM Prep’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

STEM Prep’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. STEM Prep’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 STEM Prep’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 STEM Prep’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 11, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
STEM Preparatory Schools
Los Angeles, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited STEM Preparatory Schools, Inc.'s (STEM Prep) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of STEM Prep's major federal programs for the year ended June 30, 2024. STEM Prep's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, STEM Prep complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' 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 STEM Prep'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 Uniform Guidance 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 STEM Prep's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 STEM Prep'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 STEM Prep'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of STEM Prep'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.

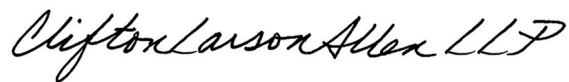
Report on Internal Control Over Compliance

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 with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
December 11, 2024



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

Governing Board
STEM Preparatory Schools
Los Angeles, California

Report on Compliance

Opinion on State Compliance

We have audited STEM Preparatory Schools, Inc.'s (STEM Prep) compliance with the types of compliance requirements applicable to STEM Prep described in the *2023-2024 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, 2024. STEM Prep's applicable State compliance requirements are identified in the table below.

In our opinion, STEM Prep complied, in all material respects, with the compliance requirements referred to above that are applicable to the School for the year ended June 30, 2024.

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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2023-2024 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 STEM Prep 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 STEM Prep'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 STEM Prep'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 STEM Prep'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 *2023-2024 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 STEM Prep's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2023-2024 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 STEM Prep'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 STEM Prep'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 *2023-2024 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 STEM Prep'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.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
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 ¹
Immunizations	Not Applicable ²
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ³
Expanded Learning Opportunities Program	Yes
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 ⁴
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

Not Applicable¹: STEM Prep did not report ADA pursuant to Education Code section 51749.5.

Not Applicable²: STEM Prep 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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable³: STEM Prep did not receive a CTEIG allocation for the audit year.

Not Applicable⁴: STEM Prep did not report more than 20% of its ADA as generated through nonclassroom-based instruction (independent study).

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each state program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on STEM Prep's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. STEM Prep's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on STEM Prep's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. STEM Prep's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Governing Board
STEM Preparatory Schools

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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
December 11, 2024

**STEM PREPARATORY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Consolidating Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.425D
84.425U

Name of Federal Program or Cluster

ESSER II
ESSER III , ELOG – ESSER III State Reserve,
Learning Loss

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**STEM PREPARATORY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors’ Results (Continued)

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

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

Section II – Financial Statement Findings

2024-002 INTERNAL CONTROLS RELATING TO FINANCING TRANSACTIONS 30000

Type of finding: Material weakness in internal controls over financing transactions.

Criteria of Specific Requirement: Financing transactions and any forgiveness of debt associated with such agreements should be recorded in the period when the financing was completed.

Condition and Context: During the course of our audit, material adjustments were identified to record loan forgiveness in the proper period resulting in a prior period adjustment to net assets to correct the error.

Effect: Total beginning net assets were understated by \$3,836,841.

Cause: STEM Prep did not record the forgiveness of the loans associated with new market tax credit financing until fiscal year 23/24.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend STEM Prep ensure recording of all transactions related to financing agreements are recorded in the period those agreements are executed.

Corrective Action Plan: STEM Prep will ensure transactions related to financing agreements are recognized in the period the agreements are executed.

**STEM PREPARATORY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2024**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

FINDINGS—STATE COMPLIANCE

2024-001 Non-Classroom Based Instruction 40000

STEM Preparatory Elementary School #1925

Criteria: Per Education Code section 51747(g), a written independent study agreement must contain all the required elements including required signatures on the master agreement within 10 school days for agreements that are scheduled to last less than 15 days. Or on the date of the first apportionment for agreements scheduled for more than 14 days.

Condition: During nonclassroom-based/independent study pupil testing we found that 1 pupil in fourth grade at STEM Preparatory Elementary School had all the required signatures on the master agreement dated after the required date of within 10 school days of the first apportionment date.

Effect: The School was not in compliance with Education Code Section 51747(g).

Cause: The School failed to obtain student signatures on master agreements within the time frame required.

Questioned Costs and Units: The lack of student signatures resulted in a reduction in P2 ADA of .04, estimated at \$611.

Repeat Finding: This is not a repeat finding.

Recommendation: STEM Prep should implement additional review procedures to ensure all signatures and elements are included on master agreements within the time requirements set by Ed Code.

Corrective Action Plan: SB 153 extended the time frame to obtain student signatures on master agreements to any day during the school year in which the independent study takes place if the pupil's program or course is projected to last for 15 schooldays or fewer. STEM Prep revised its independent study policy on August 7, 2024, to conform to this requirement.

**STEM PREPARATORY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2024**

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



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