



Financial Statements
June 30, 2020

Pacific Heritage Academy dba Pacific
Heritage School

Pacific Heritage Academy dba Pacific Heritage School

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Independent Auditor's Report

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific Heritage Academy dba Pacific Heritage School, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Heritage Academy dba Pacific Heritage School as of June 30, 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2020 on our consideration of Pacific Heritage Academy dba Pacific Heritage School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Pacific Heritage Academy dba Pacific Heritage School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pacific Heritage Academy dba Pacific Heritage School's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ogden, Utah
October 26, 2020

Pacific Heritage Academy dba Pacific Heritage School

Statement of Financial Position

June 30, 2020

Assets	
Cash and cash equivalents	\$ 378,292
Accounts receivable	41,418
Restricted investments	895,683
Property and equipment, net	<u>6,343,795</u>
Total assets	<u><u>\$ 7,659,188</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 9,400
Accrued liabilities	147,204
Accrued interest	117,438
Bonds payable, net of unamortized debt issuance costs	<u>7,240,204</u>
Total liabilities	<u>7,514,246</u>
Net Assets	
Without donor restrictions	42,586
With donor restrictions	<u>102,356</u>
Total net assets	<u>144,942</u>
Total liabilities and net assets	<u><u>\$ 7,659,188</u></u>

Pacific Heritage Academy dba Pacific Heritage School

Statement of Activities
Year Ended June 30, 2020

Change in Net Assets Without Donor Restrictions	
Revenue and support	
Federal	\$ 506,702
State	2,921,514
Local	
Student fees	16,125
School lunch	20,434
Other local revenue	22,812
Contributions	36,573
Less cost of direct benefits to donors	(330)
Investment income	18,377
Net assets released from restriction	<u>13,680</u>
Total revenue and support	<u>3,555,887</u>
Program Expenses	
Education	3,557,575
Management and general	<u>9,530</u>
Total expenses	<u>3,567,105</u>
Change in net assets without donor restrictions	<u>(11,218)</u>
Change in Net Assets With Donor Restrictions	
Revenue with donor restrictions	102,356
Less net assets released from restriction	<u>(13,680)</u>
Change in net assets with donor restrictions	<u>88,676</u>
Change in Net Assets	77,458
Net Assets, Beginning of Year	<u>67,484</u>
Net Assets, End of Year	<u>\$ 144,942</u>

Pacific Heritage Academy dba Pacific Heritage School

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Expenses Education	Management and General	Total
Salaries and Wages			
Instructional	\$ 1,198,412	\$ -	\$ 1,198,412
Administrative	178,784	-	178,784
Support personnel	483,378	-	483,378
Total salaries and wages	<u>1,860,574</u>	-	<u>1,860,574</u>
Employee Benefits	411,131	-	411,131
Management Services	119,503	-	119,503
Instruction Enhancement	18,855	-	18,855
Employee Development	17,048	-	17,048
Professional Services	57,297	9,530	66,827
Technical Services	38,523	-	38,523
Utilities	15,481	-	15,481
Property Maintenance	48,465	-	48,465
Property Rental	17,441	-	17,441
Insurance	15,143	-	15,143
Communications Expense	7,127	-	7,127
Advertising	317	-	317
Travel Expense	43	-	43
Textbooks and Educational Materials	88,718	-	88,718
General Supplies and Materials	203,022	-	203,022
Interest and Amortization	423,781	-	423,781
Depreciation	215,106	-	215,106
	<u>\$ 3,557,575</u>	<u>\$ 9,530</u>	<u>\$ 3,567,105</u>

Pacific Heritage Academy dba Pacific Heritage School

Statement of Cash Flows
Year Ended June 30, 2020

Operating Activities	
Change in net assets	\$ 77,458
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	215,106
Interest attributable to amortization of debt issuance costs	14,304
Changes in operating assets and liabilities	
Accounts receivable	38,301
Accounts payable	(67,348)
Accrued liabilities	(122)
Accrued interest	(2,332)
Net Cash from Operating Activities	<u>275,367</u>
Investing Activities	
Net change in restricted investments	<u>(99,408)</u>
Financing Activities	
Principal payments on bonds payable	<u>(115,000)</u>
Net Change in Cash and Cash Equivalents	60,959
Cash and Cash Equivalents Beginning of Year	<u>317,333</u>
Cash and Cash Equivalents End of Year	<u>\$ 378,292</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u>\$ 411,809</u>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Pacific Heritage Academy dba Pacific Heritage School (the School) is a nonprofit corporation organized under the laws of the State of Utah. The School operates one charter school in Salt Lake City, Utah, for students from kindergarten to eighth grade and began operations in the 2012-2013 school year. The School uses the power of education, the endurance of language and culture, and the virtue of relationships and community to help young people on voyages of discovery. Through thoughtful inquiry, challenging curricula, rigorous requirements, and compassionate service students learn who they are and what they can become. The School creates learning experiences and students find their roots and their wings.

The School provides the following services: Education, encompassing instruction, student and staff support activities, and facilities maintenance and operation. Supporting services include management and general services which are overall entity related administrative activities.

Cash and Cash Equivalents

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

Receivables 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. At June 30, 2020, the allowance was \$0. Substantially all receivables as of June 30, 2020 were due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

Property and Equipment

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

The carrying value of property and equipment are reviewed for impairment whenever events and 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 equal to an amount by which the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended at June 30, 2020.

Restricted Investments

Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investments are restricted for bonds payable requirements.

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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. The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and Revenue Recognition

The School recognizes revenue like student fees, school lunch, and yearbook and other sales as the performance obligations are satisfied. The rates for the services are established by management and the Board of Directors as necessary during the budgeting process. Performance obligations are determined based on the nature of the services provided by the School. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The School believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, the School's performance obligations are satisfied on an annual basis commensurate with the school year. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the School does not believe they are required to provide additional goods or services to the student. There were no contract assets or liabilities outstanding as of June 30, 2020. Student fees, school lunch, athletics and other events, and yearbook and other sales are paid entirely by the students or their parents. As displayed on the face of the statement of activities, the School recognized revenue during the year ended June 30, 2020, for student fees, school lunch, athletic and other events, and yearbook and other sales, that were provided over time.

The School recognizes contributions when cash, securities or other assets is received. Revenues for the School are principally from state and federal sources. The School receives state funding based on the number of students enrolled in the School. The School receives various federal charter school grants, which are paid through the Utah State Board of Education. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Federal and state grant contributions are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The School has elected to record contributions with donor restrictions as contributions without donor restrictions when such restrictions are satisfied in the same reporting period in which the revenue was recorded.

Debt Issuance Costs

Debt issuance costs are amortized using the effective interest rate method over the life of the bonds payable. Debt issuance costs are included within long-term debt on the statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Functional Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no material allocations between program service activities and supporting services activities occurring.

Income Taxes

The School is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(ii), and has been determined not to be a private foundation under Section 509(a)(1). The School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the School is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The School has determined 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.

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

Estimates

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

Financial Instruments and Credit Risk

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

Change in Accounting Policy

As of July 1, 2019, the School adopted the provisions of Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update which affects current U.S. GAAP primarily as it relates to the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. ASU 2016-01 also supersedes the guidance that requires (1) classification of equity securities with readily determinable fair values into different categories (i.e., trading or available-for-sale), and (2) recognition of changes in fair value of available-for-sale securities in other comprehensive income. There were no effects on the financial statements as a result of adopting this standard.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 378,292
Accounts receivable	<u>41,418</u>
	<u><u>\$ 419,710</u></u>

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the School can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, the School develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the School's assessment of the quality, risk, or liquidity profile of the asset or liability.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the School's assessment of the quality, risk or liquidity profile of the asset or liability. The School invests in Utah's Public Treasurer's Investment Fund, which is not traded in an active financial market. The underlying investments in that fund are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

Pacific Heritage Academy dba Pacific Heritage School

Notes to Financial Statements

June 30, 2020

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, at June 30, 2020:

	Fair Value	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted Investments				
Utah's Public Treasurer's Investment Fund	\$ 849,377	\$ -	\$ 849,377	\$ -
Cash (at cost)	46,306	-	-	-
	<u>\$ 895,683</u>	<u>\$ -</u>	<u>\$ 849,377</u>	<u>\$ -</u>

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2020:

Land	\$ 850,000
Building	6,047,550
Furniture and equipment	278,183
	<u>7,175,733</u>
Less accumulated depreciation	<u>(831,938)</u>
	<u>\$ 6,343,795</u>

Note 5 - Bonds Payable

Debt issuance costs are being amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Semi-annual payments of interest commencing on March 15, 2018, and annual principal payments commencing September 15, 2018.

A summary of the bond issue is as follows, listing face amount, prices, average interest rates and maturity dates:

	Face Amount	Price	Coupon Rate	Maturity Date
Series 2017A	\$ 7,565,000	100.00	5.30%	9/15/2047

Pacific Heritage Academy dba Pacific Heritage School

Notes to Financial Statements

June 30, 2020

Future maturities of the bonds payable, and future amortization of debt issuance costs, are as follows:

<u>Years Ending June 30,</u>	<u>Bonds Payable</u>	<u>Amortization of Debt Issuance Costs</u>
2021	\$ 120,000	\$ 14,304
2022	130,000	14,304
2023	135,000	14,304
2024	145,000	14,304
2025	150,000	14,304
Thereafter	6,950,000	318,276
Less unamortized debt issuance costs	<u>(389,796)</u>	<u>-</u>
	<u>\$ 7,240,204</u>	<u>\$ 389,796</u>

The School is required to meet certain covenants, as defined by their bonds payable agreement. The School was in compliance with these covenants as of June 30, 2020.

Note 6 - Net Assets with Donor Restrictions

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

Subject to Expenditure for Specified Purpose	
State Special Education	\$ 8,044
Para-Educator Funding	159
Books & Materials	542
Educator Salary Adjustment	38,915
Food Services	<u>54,696</u>
	<u>\$ 102,356</u>

Pacific Heritage Academy dba Pacific Heritage School

Notes to Financial Statements

June 30, 2020

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2020:

Satisfaction of Purpose Restrictions	
State Special Education	\$ 11,266
EHS Gifted & Talented	1,806
Books & Materials	<u>608</u>
	<u>\$ 13,680</u>

Note 7 - Concentrations

The majority of the School's revenue comes from the U.S. Department of Education (passed through the Utah State Board of Education) and the State of Utah. Federal and state revenues were 96% of total revenue and support for the year ended June 30, 2020.

Note 8 - Advertising

The School expenses advertising costs as such costs are incurred. The amount of advertising cost for the year ending June 30, 2020 was \$317.

Note 9 - Subsequent Events

Subsequent to year-end, the continuation of the outbreak of the novel Coronavirus pandemic, or COVID-19, has significantly increased risk and uncertainties in the global economy including the activities in which the School operates. The School is closely monitoring their operations, liquidity, and capital resources and are actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the School's financial position is not known.

Subsequent events have been evaluated through October 26, 2020, which is the date the financial statements were available to be issued.



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

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pacific Heritage Academy dba Pacific Heritage School, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pacific Heritage Academy dba Pacific Heritage School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pacific Heritage Academy dba Pacific Heritage School’s internal control. Accordingly, we do not express an opinion on the effectiveness of Pacific Heritage Academy dba Pacific Heritage School’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Ogden, Utah



Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the *State Compliance Audit Guide*

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

Report on Compliance

We have audited Pacific Heritage Academy dba Pacific Heritage School's (the School) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020, in the following areas:

- Budgetary Compliance
- Open and Public Meetings Act
- Fraud Risk Assessment
- Minimum School Program – Unrestricted Programs
- Minimum School Program – Restricted Programs: Special Education and Teacher and Student Success Act
- School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the School's compliance with those requirements.

Opinion on Compliance Requirements

In our opinion, the School complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the state compliance requirements referred to above as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state 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 with a state compliance requirement 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Ogden, Utah
October 26, 2020