THE PALMDALE AEROSPACE ACADEMY

CONSOLIDATED
AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2025

A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL

Palmdale Aerospace Academy (Charter No. 1367)

AND CONSOLIDATED WITH

The Palmdale Aerospace Academy Foundation
and Design, Create, Explore LLC

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION

OTHER INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

FINDINGS AND QUESTIONED COSTS SECTION

FINANCIAL SECTION

CHRISTY WHITE
Certified Public Accountants serving K-12 School Districts and Charter Schools throughout California

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Palmdale Aerospace Academy
Palmdale, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Palmdale Aerospace Academy which comprise the consolidated statement of financial position as of June 30, 2025, 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 The Palmdale Aerospace Academy as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, including the 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 our report dated January 29, 2026, on our consideration of The Palmdale Aerospace Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Palmdale Aerospace Academy's internal control over financial reporting or on compliance.

<u>Other Reporting Required by *Government Auditing Standards* (continued)</u>

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Palmdale Aerospace Academy's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 29, 2026

THE PALMDALE AEROSPACE ACADEMY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS	
Current assets	
Cash and cash equivalents	$ 42,902,485
Accounts receivable	7,446,326
Prepaid expenses	19,270
Total current assets	50,368,081
Noncurrent assets	
Right-of-use assets	203,555
Capital assets, net	73,040,394
Total noncurrent assets	73,243,949
Total Assets	$ 123,612,030
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 8,049,758
Deferred revenue	7,734,191
Operating lease liabilities	204,094
Bonds payable	75,294,648
Total liabilities	91,282,691
Net assets	
Without donor restrictions	32,329,339
Total net assets	32,329,339
Total Liabilities and Net Assets	$ 123,612,030

The notes to the consolidated financial statements are an integral part of this statement.

THE PALMDALE AEROSPACE ACADEMY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	$ 27,258,018
Federal revenues	4,680,128
Other state revenues	9,335,169
Total federal and state support and revenues	41,273,315
Local support and revenues	
Payments in lieu of property taxes	2,780,851
Grants and donations	15,804
Investment income, net	1,873,235
Other local revenues	579,458
Total local support and revenues	5,249,348
Total Support and Revenues	46,522,663
EXPENSES	
Program services	35,170,063
Management and general	8,231,151
Total Expenses	43,401,214
CHANGE IN NET ASSETS	3,121,449
Net Assets - Beginning	28,087,206
Prior period restatement	1,120,684
Net Assets - Beginning, as restated	29,207,890
Net Assets - Ending	$ 32,329,339

The notes to the consolidated financial statements are an integral part of this statement.

THE PALMDALE AEROSPACE ACADEMY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	$ 11,802,422	$ 1,530,445	$ 13,332,867
Non-certificated salaries	4,728,799	1,709,504	6,438,303
Pension plan contributions	3,127,126	268,793	3,395,919
Payroll taxes	683,204	162,707	845,911
Other employee benefits	3,617,160	576,113	4,193,273
Total personnel expenses	23,958,711	4,247,562	28,206,273
Non-personnel expenses			
Books and supplies	3,173,371	146,250	3,319,621
Insurance	-	391,566	391,566
Facilities	-	284,726	284,726
Professional services	2,302,146	1,923,648	4,225,794
Interest expense	3,176,045	-	3,176,045
Depreciation	2,295,294	611,483	2,906,777
Fees to authorizing agency	-	300,389	300,389
Other operating expenses	264,496	325,527	590,023
Total non-personnel expenses	11,211,352	3,983,589	15,194,941
Total Expenses	$ 35,170,063	$ 8,231,151	$ 43,401,214

The notes to the consolidated financial statements are an integral part of this statement.

THE PALMDALE AEROSPACE ACADEMY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 3,121,449
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	2,906,777
Interest expense - amortization of debt premium/issuance costs	(58,155)
Lease expense - amortization of right-of-use asset	539
(Increase) decrease in operating assets	
Accounts receivable	2,284,749
Prepaid expenses	(13,291)
Increase (decrease) in operating liabilities	
Accounts payable	1,730,162
Deferred revenue	(2,222,826)
Net cash provided by (used in) operating activities	7,749,404
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(5,448,051)
Net cash provided by (used in) investing activities	(5,448,051)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on loans payable	(1,735,000)
Net cash provided by (used in) financing activities	(1,735,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	566,353
Cash and cash equivalents - Beginning	42,336,132
Cash and cash equivalents - Ending	$ 42,902,485
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	$ 3,626,871

The notes to the consolidated financial statements are an integral part of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Palmdale Aerospace Academy (the "Charter") was formed as a nonprofit public benefit corporation in July 2011 for the purpose of operating as a California public school. The Charter is numbered by the State Board of Education as California Charter No. 1367. The Charter serves students in grades TK to 12. The Charter is authorized by the Palmdale Elementary School District. The current charter petition has an end date of June 30, 2030. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

In July 2011, articles of incorporation were filed to establish The Palmdale Aerospace Academy Foundation (the "Foundation"). The Foundation is a supporting organization of the Charter that is operated, supervised or controlled by the Charter. As such, the Foundation's financial statements are consolidated with The Palmdale Aerospace Academy.

In October 2015, articles of organization were filed to establish a limited liability corporation under Design, Create, Explore LLC (the "LLC"), whereby The Palmdale Aerospace Academy Foundation is the sole statutory member of the LLC. As such, the LLC is deemed a disregarded entity, and its financial statements are consolidated with The Palmdale Aerospace Academy Foundation.

The accompanying consolidated financial statements include the accounts of the Charter, the Foundation and the LLC, which comprise the Organization as a whole and are collectively referred to as the "Organization". Intercompany accounts and transactions have been eliminated in consolidation.

B. Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

The Charter also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is only used to the extent that internal accounting for multiple charter school or other program operations is necessary and is not used for external financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to the Charter. Revenues are recognized by the Organization when earned.

G. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management’s estimates.

H. Cash and Investments

The Organization considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Organization’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2025, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

J. Capital Assets

The Palmdale Aerospace Academy has adopted a policy to capitalize asset purchases over $5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

K. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Lease Arrangements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, a new lease standard effective no later than the fiscal year 2022-23. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Income Taxes

The Palmdale Aerospace Academy is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2025, consists of the following:

Cash in banks	$ 28,717,529
Cash with fiscal agent	14,184,956
Total Cash and Cash Equivalents	$ 42,902,485

Cash in Banks

As of June 30, 2025, a portion of the Organization's bank balance was exposed to custodial credit risk as there were deposits over $250,000 in accounts held at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. The Organization does not have a policy for custodial credit risk for deposits. The FDIC insures up to $250,000 per depositor per insured bank.

Cash with Fiscal Agent

The Organization maintains some of its cash with Zion Bank in money market investment funds. The funds are specific to the debt service requirements of the bonded debt (see Note 8). Cash with fiscal agent is carried at amortized cost on behalf of the Organization. These types of investments do not qualify as securities as defined in FASB ASB 820, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820 are not provided.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consists of the following:

Local control funding sources, state aid	$ 4,429,256
Federal sources	878,883
Other state sources	666,942
In lieu property tax payments	1,458,696
Other local sources	12,549
Total Accounts Receivable	$ 7,446,326

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2025 consists of the following:

Charter	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Property and equipment				
Equipment	$ 4,593,954	$ 698,428	$ -	$ 5,292,382
Buildings	1,016,394	-	-	1,016,394
Improvements	158,151	-	-	158,151
Construction in progress	912,540	3,034,777	-	3,947,317
Total property and equipment	6,681,039	3,733,205	-	10,414,244
Less accumulated depreciation	(3,687,572)	(611,483)	-	(4,299,055)
Capital Assets, net	$ 2,993,467	$ 3,121,722	$ -	$ 6,115,189

Foundation/LLC	Restated Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Property and equipment				
Land	$ 2,581,214	$ -	$ -	$ 2,581,214
Buildings	68,437,109	-		68,437,109
Improvements	347,021	-	-	347,021
Construction in progress	9,547,375	1,714,846	-	11,262,221
Total property and equipment	80,912,719	1,714,846	-	82,627,565
Less accumulated depreciation	(13,407,066)	(2,295,294)	-	(15,702,360)
Capital Assets, net	$ 67,505,653	$ (580,448)	$ -	$ 66,925,205
Consolidated Capital Assets, net	$ 70,499,120	$ 2,541,274	$ -	$ 73,040,394

The beginning capital asset balance for the Foundation/LLC was restated to correct the construction in progress and accumulated depreciation balances. The net effect was an increase of $1,120,684, which is also reflected as an adjustment to beginning net assets (see Note 9).

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2025, consists of the following:

Vendor payables	$ 4,109,573
Interest payable	1,406,319
Due to grantor government	1,389,677
Salaries and benefits	1,144,189
Total Accounts Payable	$ 8,049,758

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2025, consists of the following:

Federal sources	$ 240,646
State sources	7,493,545
Total Deferred Revenue	$ 7,734,191

NOTE 7 – OPERATING LEASES

The Charter holds lease agreements for the use of copiers and a phone system. The agreement for the phone system has a term end date of April 2026 and the copier lease agreements have terms ending no later than July 2028. During the fiscal year ended June 30, 2025, the Organization paid $100,473 in lease payments under the operating leases. At June 30, 2025, the right-of-use assets balance was $203,555 and the operating lease liabilities balance was $204,094. The Organization has accounted for its lease agreements using an implied discount rate of 5%. The weighted average remaining term of all third party leases is 2.72 years. The liability will be paid and asset will be amortized over the remaining terms of the leases as follows:

Fiscal Year Ending June 30,	Operating Lease Liabilities	Right-of-Use Assets
2026	$ 90,723	$ 90,723
2027	62,961	62,961
2028	62,961	62,961
2029	1,834	1,295
Subtotal	218,479	217,940
NPV adjustment	(14,385)	(14,385)
Total	$ 204,094	$ 203,555

NOTE 8 – BONDS PAYABLE

A summary of activity related to bonds payable during the year ended June 30, 2025 consists of the following:

	Balance July 1, 2024	Draws	Payments	Balance June 30, 2025
CMFA Series 2016	$ 41,120,000	$ -	$ 1,020,000	$ 40,100,000
CMFA Series 2018	34,670,000	-	715,000	33,955,000
Premium	3,293,030	-	145,820	3,147,210
Unamortized issuance costs	(1,995,227)	-	(87,665)	(1,907,562)
Total Bonds Payable	$ 77,087,803	$ -	$ 1,793,155	$ 75,294,648

CMFA Series 2016

In April 2016, the Foundation, through its LLC, obtained financing through the California Municipal Finance Authority (CMFA). The LLC entered into a loan agreement with CMFA for the issuance of $45,660,000 in Charter School Revenue Bonds, which included $45,065,000 tax-exempt bonds under Series 2016A and $595,000 in taxable bonds under Series 2016B. The funds were used to acquire, construct, improve, furnish, and equip the school facilities at the East Palmdale Boulevard and 35th Street East in Palmdale, California. The bonds were issued at a premium of $3,063,388 with estimated issuance costs of $1,434,541. The bonds hold bear interest ranging from 3.75 to 5.0 percent and fully mature in July 2046. As of June 30, 2025, the outstanding principal balance on the 2016 bonds was $40,100,000. Repayment obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 1,060,000	$ 1,983,350	$ 3,043,350
2027	1,105,000	1,940,950	3,045,950
2028	1,145,000	1,896,750	3,041,750
2029	1,205,000	1,839,500	3,044,500
2030	1,265,000	1,779,250	3,044,250
Thereafter	34,320,000	17,430,000	51,750,000
Total	$ 40,100,000	$ 26,869,800	$ 66,969,800

NOTE 8 – BONDS PAYABLE (continued)

CMFA Series 2018

In July 2018, the Foundation, through its LLC, obtained additional financing through the CMFA. The LLC entered into a loan agreement with CMFA for the issuance of $37,265,000 in Charter School Revenue Bonds, which included $36,815,000 tax-exempt bonds under Series 2018A and $450,000 in taxable bonds under Series 2018B. The funds were used to acquire land and construct additional school facilities adjacent or near to the school campus at 3300 East Palmdale Boulevard in Palmdale, California. The bonds were issued at a premium of $1,311,244 with estimated issuance costs of $1,151,301. The bonds hold bear interest ranging from 3.875 to 6.0 percent and fully mature in July 2049. As of June 30, 2025, the outstanding principal balance on the 2018 bonds was $33,955,000. Repayment obligations are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2025	$ 740,000	$ 1,662,425	$ 2,402,425
2026	770,000	1,633,750	2,403,750
2027	800,000	1,603,913	2,403,913
2028	830,000	1,572,913	2,402,913
2029	860,000	1,540,750	2,400,750
Thereafter	29,955,000	18,118,499	48,073,499
Total	$ 33,955,000	$ 26,132,250	$ 60,087,250

Premium and Unamortized Issuance Costs

As previously noted, the bonds had issuance costs and were sold at a premium. In accordance with ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are to be presented in the balance sheet as a direct deduction from the carrying value of the associated liability. Additionally, the amortization of debt issuance costs is required to be reported as interest expense. The premium and issuance costs are being amortized over the life of the bonds. Amortization of the bond premium was $145,820 and $87,665 for the issuance costs for the year ended June 30, 2025.

NOTE 9 – NET ASSETS

Beginning Net Assets

A prior period restatement of $1,120,684 to properly reconcile balance related to construction in progress under the Foundation. The adjustment resulted in an increase to beginning net assets without donor restrictions. Refer to Note 4 for restated beginning balance for capital assets.

Ending Net Assets

As of June 30, 2025, the Organization did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2025, the Organization's net assets without donor restrictions consists of the following:

Net investment in capital assets	$ (2,254,254)
Undesignated	34,583,593
Total Net Assets without Donor Restrictions	$ 32,329,339

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2025, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	$ 42,902,485
Accounts receivable	7,446,326
Prepaid expenses	19,270
Contractual or donor-imposed restrictions	
Cash restricted for bonded debt	(14,184,956)
Cash held for conditional contributions	(7,734,191)
Financial Assets available to meet cash needs for expenditures within one year	$ 28,448,934

NOTE 11 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code* 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The Charter also offers social security as an alternative plan to employees who may not qualify for CalSTRS.

California State Teachers' Retirement System (CalSTRS)

Plan Description
The Palmdale Aerospace Academy contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275.

Funding Policy
Active plan members are required to contribute 10.25% or 10.205% of their 2024-25 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2024-25 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the fiscal year ended June 30, 2025 was $3,388,582; 100% of the required contribution.

On-Behalf Payments
The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for the Charter is estimated at $1,062,083. The on-behalf payment amount is computed as the proportionate share of total 2023-24 State on-behalf contributions.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

The Palmdale Aerospace Academy 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Charter School Authorization

As mentioned in Note 1A, the Charter is approved to operate as a public charter school through authorization by the Palmdale Elementary School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

The Charter makes payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. During the year ended June 30, 2025, oversight fees totaled $300,389.

Pending or Threatened Litigation

The Organization is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Organization as of June 30, 2025.

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. The Organization does not currently intend to withdraw the Charter from CalSTRS. Refer to Note 11 for additional information on employee retirement plans.

NOTE 13 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to the Organization in an effort to advance its programs and objectives. These services have not been recorded in the Organization's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Organization did not receive any donated items during the year ended June 30, 2025.

NOTE 14 – INTERAGENCY TRANSACTIONS

As mentioned in Note 1A, the Foundation is the sole statutory member of LLC and the Foundation is a supporting organization directly controlled by the Charter. The entities are considered financially interrelated under generally accepted accounting principles because of the statutory relationship. As such, interagency transactions and balances are eliminated in the consolidated financial statements of the Organization to better reflect the true activities of the corporation.

NOTE 14 – INTERAGENCY TRANSACTIONS (continued)

Transactions during the fiscal year that were eliminated included lease payments recorded as a lease expense to the Charter and rental income to the Foundation/LLC. Future interagency lease payments are as follows:

Fiscal Year Ending June 30,	Lease Payments
2026	$ 5,449,700
2027	5,445,663
2028	5,447,412
2029	5,445,000
2030	5,448,750
Thereafter	94,374,750
Total lease payments	121,611,275
NPV adjustment	(45,067,529)
Total	$ 76,543,746

NOTE 15 – SUBSEQUENT EVENTS

The Palmdale Aerospace Academy has evaluated subsequent events for the period from June 30, 2025 through January 29, 2026, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

THE PALMDALE AEROSPACE ACADEMY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

	The Palmdale Aerospace Academy	The Palmdale Aerospace Academy Foundation	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 28,717,529	$ 14,184,956	$ -	$ 42,902,485
Accounts receivable	7,446,326	-	-	7,446,326
Prepaid expenses	19,270	-	-	19,270
Total current assets	36,183,125	14,184,956	-	50,368,081
Noncurrent assets				
Right-of-use assets	76,337,743	-	(76,134,188)	203,555
Interagency lease receivable	-	409,558	(409,558)	-
Capital assets, net	6,115,189	66,925,205	-	73,040,394
Total noncurrent assets	82,452,932	67,334,763	(76,543,746)	73,243,949
Total Assets	$ 118,636,057	$ 81,519,719	$ (76,543,746)	$ 123,612,030
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 6,643,439	$ 1,406,319	$ -	$ 8,049,758
Deferred revenue	7,734,191	-	-	7,734,191
Operating lease liabilities	76,747,840	-	(76,543,746)	204,094
Loans payable	-	75,294,648	-	75,294,648
Total liabilities	91,125,470	76,700,967	(76,543,746)	91,282,691
Net assets				
Without donor restrictions	27,510,587	4,818,752	-	32,329,339
Total net assets	27,510,587	4,818,752	-	32,329,339
Total Liabilities and Net Assets	$ 118,636,057	$ 81,519,719	$ (76,543,746)	$ 123,612,030

THE PALMDALE AEROSPACE ACADEMY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	The Palmdale Aerospace Academy	The Palmdale Aerospace Academy Foundation	Eliminations	Consolidated Total
SUPPORT AND REVENUES				
Federal and state support and revenues				
Local control funding formula, state aid	$ 27,258,018	$ -	$ -	$ 27,258,018
Federal revenues	4,680,128	-	-	4,680,128
Other state revenues	9,335,169	-	-	9,335,169
Total federal and state support and revenues	41,273,315	-	-	41,273,315
Local support and revenues				
Payments in lieu of property taxes	2,780,851	-	-	2,780,851
Grants and donations	15,804	-	-	15,804
Rental income	-	5,050,610	(5,050,610)	-
Investment income, net	1,707,485	165,750	-	1,873,235
Other local revenues	579,458	-	-	579,458
Total local support and revenues	5,083,598	5,216,360	(5,050,610)	5,249,348
Total Support and Revenues	46,356,913	5,216,360	(5,050,610)	46,522,663
EXPENSES				
Program services	34,841,932	5,378,741	(5,050,610)	35,170,063
Management and general	8,138,553	92,598	-	8,231,151
Total Expenses	42,980,485	5,471,339	(5,050,610)	43,401,214
CHANGE IN NET ASSETS	3,376,428	(254,979)	-	3,121,449
Net Assets - Beginning	24,134,159	3,953,047	-	28,087,206
Prior period restatement	-	1,120,684	-	1,120,684
Net Assets - Beginning, as restated	24,134,159	5,073,731	-	29,207,890
Net Assets - Ending	$ 27,510,587	$ 4,818,752	$ -	$ 32,329,339

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Organization has not elected to use the de minimis indirect cost rate of up to 15 percent.

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 671,854
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	14,628
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	1,941,747
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	810,761
Subtotal Education Stabilization Fund Discretionary Grants			2,752,508
Special Education: ARP: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	15638	401,466
Total U. S. Department of Education			3,840,456
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition: National School Lunch Program	10.555	13391	839,672
Total U. S. Department of Agriculture			839,672
Total Federal Expenditures			$ 4,680,128

There were no reconciling items between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of federal awards for the year ended June 30, 2025.

THE PALMDALE AEROSPACE ACADEMY
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2025

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

	Second Period Report	Annual Report
	Classroom-Based	
Grade Span		
Regular		
Kindergarten* through third	371.37	373.20
Fourth through sixth	356.19	356.88
Seventh through eighth	470.82	472.38
Ninth through twelfth	925.98	923.08
Total Average Daily Attendance - Classroom-Based	2,124.36	2,125.54
Total Average Daily Attendance	2,124.36	2,125.54

*Includes Transitional Kindergarten (TK)

The Charter had no Nonclassroom-Based ADA in 2024-25.

THE PALMDALE AEROSPACE ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025

This schedule presents information on the amount of instructional time offered per grade level by the charter school and whether the charter school complied with the provisions of *Education Code Section* 47612.5.

Grade Level	Minutes Requirement	2024-25 Instructional Minutes	2024-25 Number of Days	Status
Kindergarten*	36,000	56,700	178	Complied
Grade 1	50,400	56,700	178	Complied
Grade 2	50,400	56,700	178	Complied
Grade 3	50,400	56,700	178	Complied
Grade 4	54,000	56,700	178	Complied
Grade 5	54,000	56,700	178	Complied
Grade 6	54,000	62,156	178	Complied
Grade 7	54,000	62,156	178	Complied
Grade 8	54,000	62,156	178	Complied
Grade 9	64,800	65,262	178	Complied
Grade 10	64,800	65,262	178	Complied
Grade 11	64,800	65,262	178	Complied
Grade 12	64,800	65,262	178	Complied

*Includes Transitional Kindergarten (TK)

THE PALMDALE AEROSPACE ACADEMY
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2025

This schedule provides the information necessary to reconcile net position reported on the Annual Financial and Budget Report (Unaudited Actuals) for the Charter Schools Enterprise Fund to net assets on the audited financial statements.

	Charter No. 1367
June 30, 2025, fund balance/net position on the Unaudited Actuals	$ 25,848,523
Adjustments:	
Increase (decrease) in total net assets:	
Prior period adjustments	1,600,088
Revenue accrual adjustment to deferred revenue	(324,369)
Expense accrual adjustment for health benefits	(165,625)
Expense adjustment for roof renovation project	560,281
Cash reconciliation adjustment to expenses	(8,311)
Net adjustments	1,662,064
June 30, 2025, net assets per audited financial statements	$ 27,510,587

OTHER INFORMATION

This schedule provides information about the local education agency (LEA or charter school), including the charter school's authorizing agency, grades served, members of the governing body, and members of the administration.

Palmdale Aerospace Academy is numbered by the State Board of Education as Charter No. 1367 and operated by The Palmdale Aerospace Academy. The Palmdale Aerospace Academy, located in Los Angeles County, was formed as a nonprofit public benefit corporation in July 2011. The charter school is authorized by the Palmdale Elementary School District. During 2024-25, the charter school served approximately 2,259 students in grades TK to 12.

BOARD OF DIRECTORS

Name	Office	Term Expiration
David Lujan	President	July 2028
Patrick Brophy	Treasurer	July 2026*
Janet Simons	Secretary	July 2027**
Nardy Lopez	Director / Secretary**	July 2027
Ellen McIsaac	Director	July 2027
Justin Knowles	Director / Treasurer*	July 2027
Dennis Trujillo	Director	July 2028

ADMINISTRATION

Gina Lynch
Executive Director / Superintendent

Roseann Zarasua
Chief Business Official

**Mr. Brophy resigned in May 2025, at which time Mr. Knowles assumed the Treasurer role.*
***Ms. Simons resigned in February 2025, at which time Ms. Lopez assumed the Secretary role.*

OTHER INDEPENDENT AUDITORS' REPORTS

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

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*

Independent Auditors' Report

To the Board of Directors of
The Palmdale Aerospace Academy
Palmdale, California

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 consolidated financial statements of The Palmdale Aerospace Academy (the "Organization") as of and for the year ended June 30, 2025, and the related notes to the consolidated financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated January 29, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Purpose of this Report

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

Christy White, Inc.

San Diego, California
January 29, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Board of Directors of
The Palmdale Aerospace Academy
Palmdale, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Palmdale Aerospace Academy's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Palmdale Aerospace Academy's major federal programs for the year ended June 30, 2025. The Palmdale Aerospace Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Palmdale Aerospace Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Palmdale Aerospace Academy's compliance based on our audit.

Auditor's Responsibilities for the Audit of Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about The Palmdale Aerospace Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *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 The Palmdale Aerospace Academy's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of The Palmdale Aerospace Academy'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Palmdale Aerospace Academy'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 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 Auditor's Responsibilities for the Audit of Compliance section 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. 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.

Christy White, Inc.

San Diego, California
January 29, 2026

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

To the Board of Directors of
The Palmdale Aerospace Academy
Palmdale, California

Report on State Compliance

Opinion on State Compliance

We have audited The Palmdale Aerospace Academy's compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to The Palmdale Aerospace Academy's state program requirements for the fiscal year ended June 30, 2025. Reference to The Palmdale Aerospace Academy within this letter is inclusive of Palmdale Aerospace Academy (Charter No. 1367).

In our opinion, The Palmdale Aerospace Academy complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2025, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Palmdale Aerospace Academy's compliance based on our audit.

Auditor's Responsibilities for the Audit for State Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about The Palmdale Aerospace Academy's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Palmdale Aerospace Academy's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Palmdale Aerospace Academy'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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of The Palmdale Aerospace Academy's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine The Palmdale Aerospace Academy's compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not applicable
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

"Not applicable" is used in the table above to indicate that the charter school either did not receive program funding or did not otherwise operate the program during the fiscal year.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section 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. 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 29, 2026

FINDINGS AND QUESTIONED COSTS SECTION

PART I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.425, 84.425U	Education Stabilization Fund Discretionary Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with *2024-25 Guide for Annual Audits of California K-12 Local Education Agencies* ?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

All audit year findings, if any, are assigned an appropriate finding code as follows:

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2025.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2025.

PART IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2025.

This section presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit. There were a total of two (2) audit findings reported in the year ended June 30, 2024. A summary of the prior audit finding and its current status are noted below:

FINDING 2024-001: FINANCIAL STATEMENT REPORTING (30000) – Material Weakness

Summary: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries and reclassifying entries used in the preparation of the Organization's financial statements. The Organization should ensure that all applicable accounting principles are adhered to when preparing the financial statements and that the closing entries are recorded in a timely manner.

Management required additional time to officially close the books for the 2023-24 fiscal year that created for a delay in the audit fieldwork to occur. During the course of the audit, it was noted that beginning net assets did not reconcile to the previous year's audit; specifically, prior audit adjustments were not properly posted. Additionally, audit adjustments were necessary to correctly report for leases in the right-of-use and lease liability accounts, report additions in the fixed asset accounts, and recognize revenue as conditional contributions for state sources, which impacted the deferred revenue account.

Current Status: Implemented.

FINDING 2024-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Summary: California Education Code Section 42238.02(b)(4) states that the local education agency should revise their submitted data on English learner, foster youth, and free or reduced ‐ price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) appears inaccurate. We requested documentation to support the reported eligibility status for 60 students selected for testing on the Free or Reduced ‐ Price Meals (FRPM) designation on CALPADS Form 1.18 – FRPM/English Learner/ Foster Youth – Student List; however, documentation either could not be provided or did not accurately reflect eligibility for 46 of this initial sample of FRPM students. An extrapolation of the error over the full 522 population of FRPM-only listed students provides for a total reporting error of 400 students.

Current Status: Implemented.