

SACRAMENTO VALLEY CHARTER SCHOOL

Audited Financial Statements
June 30, 2021



SACRAMENTO VALLEY CHARTER SCHOOL
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Valley Charter School
West Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sacramento Valley Charter School (the Charter School) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel as regulations. 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 the Charter School as of June 30, 2021, 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, on our consideration of the Sacramento Valley Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter 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 the Sacramento Valley Charter School's internal control over financial reporting and compliance.

Harshwal & Company LLP

Oakland, California
December 13, 2021

FINANCIAL SECTION

**SACRAMENTO VALLEY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Current assets:

Cash	\$ 811,586
Accounts receivable (Note 4)	1,414,276
Prepaid expenses and other assets	<u>63,982</u>
Total current assets	<u>2,289,844</u>

Noncurrent assets:

Long-term deposits (Note 7)	151,200
Property and equipment - net (Note 5)	595,120
Intangible assets - net (Note 6)	<u>54,359</u>
Total noncurrent assets	<u>800,679</u>

Total assets	<u>\$ 3,090,523</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Account payable	\$ 331,063
Note payable, current (Note 8)	<u>110,416</u>
Total current liabilities	441,479

Long-term liabilities:

Notes payable (Note 8)	<u>263,359</u>
Total liabilities	<u>704,838</u>

Net assets:

With donor restrictions	301,224
Without donor restrictions	<u>2,084,461</u>

Total net assets	<u>2,385,685</u>
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Total liabilities and net assets	<u>\$ 3,090,523</u>
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The accompanying notes are an integral part of these financial statements.

**SACRAMENTO VALLEY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND SUPPORT			
Local Control Funding Formula Sources:			
State aid	\$ 1,225,673	\$ -	\$ 1,225,673
EPA entitlement	876,773	-	876,773
Cash in-lieu of property taxes	476,794	-	476,794
Federal revenues	-	362,394	362,394
Other state revenue	55,166	573,422	628,588
Local revenue:			
Contribution	426	-	426
Other local revenue	30,161	-	30,161
Gain on extinguishments of debt - PPP	287,312	-	287,312
Net asset released from restrictions	<u>830,306</u>	<u>(830,306)</u>	<u>-</u>
Total revenues, gains, and support	<u>3,782,611</u>	<u>105,510</u>	<u>3,888,121</u>
EXPENSES			
Program expenses:			
Educational programs	2,427,455	-	2,427,455
Supporting services:			
Management and general	<u>353,983</u>	<u>-</u>	<u>353,983</u>
Total expenses	<u>2,781,438</u>	<u>-</u>	<u>2,781,438</u>
Change in net assets	1,001,173	105,510	1,106,683
Net assets, beginning of year	<u>1,083,288</u>	<u>195,714</u>	<u>1,279,002</u>
Net assets, end of year	<u>\$ 2,084,461</u>	<u>\$ 301,224</u>	<u>\$ 2,385,685</u>

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

**SACRAMENTO VALLEY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,106,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	127,768
Gain on extinguishments of debt - PPP	(287,312)
Changes in operating assets and liabilities:	
Accounts receivable	(832,874)
Prepaid expenses	430
Accounts payable	54,457
Other payable	<u>(178,300)</u>
Net cash used in operating activities	<u>(9,148)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of intangible assets	<u>(22,491)</u>
Net cash used in investing activities	<u>(22,491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of loan	<u>(104,112)</u>
Net cash used in financing activities	<u>(104,112)</u>
NET DECREASE IN CASH	(135,751)
CASH, beginning of year	<u>947,337</u>
CASH, end of year	<u>\$ 811,586</u>
Supplemental disclosures:	
Interest paid during the year	<u>\$ 26,335</u>

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

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Sacramento Valley Charter School (the Charter School) is a California non-profit public benefit corporation that was incorporated on June 14, 2011, and is organized to manage, operate, guide, direct and promote a California Public Charter School.

The Charter School is funded principally through State of California Public Education monies received through the California Department of Education and the Yolo County Office of Education. A Board of Directors, consisting of five board members, governs the Charter School. Washington Unified School District (the Sponsoring District) renewed the charter for the Charter School for a five-year term through June 2024. Along with the approval of the Charter, the Charter School signed a Memorandum of Understanding (MOU) with the Sponsoring District.

The charter could be revoked by the Sponsoring District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Effective July 1, 2020, the Charter School joined the El Dorado County Charter Special Education Local Plan Area (SELPA) to enable the Charter School to provide services for the Charter School's special education students.

A. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting recognizing revenues when earned and expenses when incurred. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "*Audit and Accounting Guide for Not-for-Profit Organizations*" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Charter School and changes therein are classified as follows:

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Charter School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Charter School. The Charter School's board may designate assets without restrictions for specific operational purposes from time to time.

B. Revenue Recognition

The Charter School receives state and local revenues for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies.

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Charter School primarily receives the funds from California Department of Education (CDE). Amounts received from the CDE are recognized by the Charter School based on the average daily attendance (ADA) of students.

Contributions and grants are recognized in full when received or unconditionally promised. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor restricted amounts are reported as increases in net assets with donor restriction. Net assets with donor restriction become net assets without donor restriction, and are reported in the statement of activities as net assets released from restrictions, when time restrictions expire or the contributions are used for the restricted purpose.

C. Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donations. The Charter School capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over an estimated useful life for vehicles of 7-8 years.

D. Intangible assets

Intangible assets subject to amortization includes science and social studies curriculum licenses, which are being amortized on straight line method over the life of the assets.

E. Donated Property and Equipment

Donation of property and equipment received prior to June 15, 2015, are recorded as contributions at fair value at the date of donation. Such donation is reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. After June 15, 2015, these assets are recorded at acquisition value.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates included in these financial statements are management's estimate of the collectability of accounts receivable and the useful life of vehicles. Accordingly, actual results could differ from those estimates.

G. Income Taxes

The Charter School is publicly supported and has received tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code.

The Charter School uses the same accounting methods for tax and financial reporting. Accordingly, no provision for federal and state income taxes has been made in the accompanying financial statements. There is no unrelated taxable income and accordingly, there is no provision for income taxes in these financial statements.

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Charter School in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Charter School's returns are subject to examination by Federal and State Taxing Authorities, generally three years and four years respectively after they are filed.

H. Functional Expenses

In order to provide information related to service efforts, the costs of providing each of the Charter School's programs and support services have been presented in a separate statement of functional expenses. In this presentation, certain costs were required to be allocated among the programs and services with reasonable basis. The expenses that are allocated include rent, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

I. Recent accounting pronouncement

Adopted

As of July 1, 2020, the Charter School adopted the provisions of FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Management has determined that the adoption of this standard did not have a significant impact on the Charter Schools' financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. Charter Schools' has adopted this ASU as of July 1, 2020. Management has determined that the adoption of this standard did not have a significant impact on the Charter Schools' financial statement disclosures.

Not yet adopted

The Charter School considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Charter School's financial position and changes in net assets.

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities. Lessors will classify leases as sales-type, direct financing, or operating using criteria similar to current GAAP. In June 2020, the FASB issued ASU 2020-05 to defer the effective date of the new standard for not-for-profit organizations to fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Charter School is currently evaluating the impact of adopting the new standard in the financial statements.

NOTE 2: CASH IN BANK

The Charter School maintains its cash balance with a financial institution located in Northern California. Cash balances in these accounts are insured up to \$250,000 by the Federal Depository Insurance Corporation. On June 30, 2021, the Charter School has uninsured balance of \$649,450.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Charter School monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Charter School had the following financial assets at June 30, 2021, that could readily be made available within one year to fund expenses without limitations:

Cash and cash equivalents	\$ 811,586
Accounts receivable	<u>1,414,276</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 2,225,862</u></u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2021:

State sources	\$ 1,255,738
Local sources	43,369
Federal sources	<u>115,169</u>
	<u><u>\$ 1,414,276</u></u>

NOTE 5: PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2021, is as follows:

Vehicles	\$ 940,801
Less: accumulated depreciation	<u>(345,681)</u>
	<u><u>\$ 595,120</u></u>

Depreciation expense for the year ended June 30, 2021, was \$117,533.

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6: INTANGIBLE ASSETS

Intangible assets, net consists of the following at June 30, 2021:

Curriculum licenses	\$ 74,829
Less: accumulated amortization	<u>(20,470)</u>
	<u>\$ 54,359</u>

Amortization expense for the year ended June 30, 2021, totaled \$10,235 and is included within depreciation and amortization on the statement of Functional Expenses.

Estimated amortization expense over future years is as follows:

<u>Year ending June 30,</u>	
2022	\$ 10,235
2023	10,235
2024	9,422
2025	9,422
2026	9,422
Thereafter	<u>5,623</u>
	<u>\$ 54,359</u>

NOTE 7: RELATED PARTY TRANSACTIONS

The Charter School and the Sikh Temple Sacramento (the Temple) share two common board members and have entered into a memorandum of understanding (MOU) for issuance of note payable and use of facility. The following are the terms:

Facility Lease

The Charter School leases the School facilities from the Temple under a non-cancelable operating lease. Rental expense paid for the period ending June 30, 2021, was \$280,344. At its May 15, 2019, special meeting, the Board approved a facility lease agreement effective July 1, 2019 through June 30, 2024, with future increase tied to K-14 COLA adopted state budget cost of living allowance. Future COLA estimates are 5.07%, 2.48%, and 3.11% for fiscal year ending 2022, 2023, and 2024 respectively.

Future minimum lease payments under this lease as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 294,552
2023	301,860
2024	<u>311,244</u>
	<u>\$ 907,656</u>

Power Purchase Agreement

The Temple has entered into an agreement with Technology Credit Corporation/Staten Solar (the TCC) to install a Solar System with a total production capability of 3.77M KWH at the rear of the Evergreen Avenue Building. The Energy Commission Report recommended a Solar System with an output of 50,000 KWH per year for the Charter School, and awarded \$151,200 for this purpose. The Temple has an option in the agreement with the TCC to buy

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: RELATED PARTY TRANSACTIONS (CONT'D)

the Solar System after four years at a cost of \$361,000 given by the TCC (original value at installation date was \$743,000). Since the Charter School did not have enough funding for outright purchase of the solar system, due to the fact that current funding would be enough to proceed with the purchase option in four years to acquire about 40% ownership of the solar system, the Board decided to wait for four years to purchase the current solar system jointly with the Temple. In the meantime, in order to generate some revenue for the Charter School from the grant money, the Charter School, on June 11, 2018, entered into a power purchase agreement with the Temple to transfer the money as a non-collateralized deposit to the Temple in exchange for free annual use of up to 50,000 KWH power generated through the current solar system. Since the Temple pays 14.5 cents for each KWH to the TCC, this is estimated to be a total power-usage of \$7,250 per year allowed by the Temple to be used by the Charter School for the next four years in lieu of \$151,200 transferred to the Temple. However, the ability of the Temple to proceed with the purchase option at maturity will be affected by the financial condition of the Temple at the maturity of the purchase option. In addition, during this time, the deposit may be exposed to all the potential risks associated with the Temple.

NOTE 8: NOTES PAYABLE

The following is a summary of long-term notes payable at June 30, 2021:

<p>A. During the year ended June 30, 2019, the Charter School purchased one vehicle which was financed through a loan with a financing company. The loan was for an original amount of \$166,256 with an interest rate of 6.20% percent and matures on March 1, 2024. The loan is secured by the vehicle. During the year, the Charter School repaid the loan amount of \$11,841,</p>	<p>\$ 97,749</p>
<p>B. During the year ended June 30, 2020, the Charter School purchased three vehicles which were financed through a loan from a bank. The loan was for an original amount of \$393,501 with an interest rate of 6 percent and matures on October 10, 2024. The loan is secured by the vehicles. During the year, the Charter School repaid the loan amount of \$117,475.</p>	<p><u>276,026</u> 373,775</p>
<p>Less: current portion included in current liabilities</p>	<p><u>(110,416)</u></p>
<p>Non-current portion</p>	<p><u>\$ 263,359</u></p>

PAYCHECK PROTECTION PROGRAM LOAN

On June 05, 2020, the Charter School received loan proceeds in the amount of \$287,312 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA). During the year ended June 30, 2021, the Charter School expended and tracked the PPP funds for purposes outlined in the CARES Act guidance. On May 27, 2021, the Charter School received notification the total amount of the PPP funds was forgiven by the SBA. Accordingly, under guidance found in FASB ASC 405-20-40-1, the Charter School has recognized the PPP funding as a gain in the Statement of Activities and Net Assets for the year ended June 30, 2021.

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: NOTES PAYABLE (CONT'D)

Loan maturities for each of the five years following June 30, 2021, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>
2022	\$ 110,416
2023	117,446
2024	115,186
2025	<u>30,727</u>
Total	<u>\$ 373,775</u>

NOTE 9: AGREEMENT

The Charter School has an MOU with the Sponsoring District through June 30, 2024. As stated in the Education Code, up to 1% of all the Charter School's revenues (excluding grants and private monies outside of the funding model) is paid to the Sponsoring District for the actual expenses incurred in monitoring and overseeing the Charter School. During the year ended June 30, 2021, the Charter School accrued \$26,225 as oversight fee expense.

NOTE 10: RESTRICTED NET ASSETS

Restricted net assets changes during the year ended June 30, 2021, are summarized as follows:

<u>Description</u>	<u>June 30, 2020</u>	<u>Awarded during the year</u>	<u>Released from restrictions</u>	<u>June 30, 2021</u>
Lottery Funds - Prop 20	\$ 13,121	\$ 20,094	\$ (13,391)	\$ 19,824
California Clean Energy Job Act Funds - Prop 39	151,200	-	-	151,200
Low Performers Student Block Grant	29,970	-	(29,970)	-
Classified School Employee Professional Development Block Grant	1,423	-	(157)	1,266
Charter School Facility Grant Program	-	187,000	(187,000)	-
Coronavirus Relief (CR) - LLM	-	164,253	(164,253)	-
Special Education	-	164,013	(156,427)	7,586
In-Person Instruction - State Funds	-	100,646	(100,646)	-
Expanded Learning Opportunity	-	90,887	(50,053)	40,834
Title I, Part A	-	70,290	(70,290)	-
Other State Funds	-	-	-	-
ESSER III State Res ELO	-	30,099	-	30,099
ESSER II ELO	-	26,804	-	26,804
ESSER III ELO	-	17,460	-	17,460
GEER II ELO	-	6,151	-	6,151
Other State Funds	-	<u>58,119</u>	<u>(58,119)</u>	<u>-</u>
	<u>\$ 195,714</u>	<u>\$ 935,816</u>	<u>\$ (830,306)</u>	<u>\$ 301,224</u>

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11: CONTINGENCIES

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

Operating Lease Commitment

During the year ended June 30, 2021, the Charter School entered into a non-cancelable operating lease agreement for equipment. Future minimum rental payments for each of the five years following June 30, 2021, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 7,922
2023	7,922
2024	7,922
2025	7,923
2026	<u>2,641</u>
Total future minimum payments	<u>\$ 34,330</u>

NOTE 12: FUNCTIONAL EXPENSES

For the years ended June 30, the Charter School's operating expenses grouped by functional classification are as follows:

	<u>Program Expenses</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Certificated salaries	\$ 1,067,200	\$ 50,582	\$ 1,117,782
Classified salaries	328,199	86,450	414,649
Employee benefits	231,787	22,980	254,767
Books and supplies	149,140	3,037	152,177
Rent	224,275	56,069	280,344
Services and other operating expenses	272,751	134,865	407,616
Depreciation and amortization	127,768	-	127,768
Interest expense	<u>26,335</u>	<u>-</u>	<u>26,335</u>
Total expenses	<u>\$ 2,427,455</u>	<u>\$ 353,983</u>	<u>\$ 2,781,438</u>

NOTE 13: SUBSEQUENT EVENTS

The management of the Charter School reviewed the results of operations for the period of time from its year end June 30, 2021 through December 13, 2021, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**SACRAMENTO VALLEY CHARTER SCHOOL
RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL REPORT
ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements on June 30, 2021.

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL
ORGANIZATION
JUNE 30, 2021**

Sacramento Valley Charter School (the Charter School) is a California non-profit public benefit corporation that was incorporated on June 14, 2011, and is organized to manage, operate, guide, direct, and promote a California public charter school. The Charter School provides instruction to kindergarten to eighth grades.

GOVERNING BOARD

Member	Office	Term
Chamkaur Dhatt	Chairman	8/31/2022
Narinder Thandi	President	8/31/2023
Daljit Ghuman	Vice President	8/31/2022
Surjit Dhillon	Secretary	8/31/2023
Bhajan Bhinder	Vice Chairman	8/31/2023

ADMINISTRATION

Dr. Amrik Singh
Principal

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2021**

Grade Level	Number of Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	Not Applicable	-	180	Complied
Grade 1	180	Not Applicable	-	180	Complied
Grade 2	180	Not Applicable	-	180	Complied
Grade 3	180	Not Applicable	-	180	Complied
Grade 4	180	Not Applicable	-	180	Complied
Grade 5	180	Not Applicable	-	180	Complied
Grade 6	180	Not Applicable	-	180	Complied
Grade 7	180	Not Applicable	-	180	Complied
Grade 8	180	Not Applicable	-	180	Complied

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Reconciliation of Charter School Unaudited Actuals Financial Report

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

Organization

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered on the traditional calendar by the Charter School and whether the Charter School complied with the provisions of Education Code section 47612.

OTHER INDEPENDENT AUDITOR'S REPORT

**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**

To the Board of Directors
Sacramento Valley Charter School
West Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sacramento Valley Charter School (the Charter School), which comprise statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Charter 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 determination of financial statement amounts. 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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

**Oakland, California
December 13, 2021**

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Directors
Sacramento Valley Charter School
West Sacramento, California

Report on State Compliance

We have audited Sacramento Valley Charter School's compliance with the types of compliance requirements as identified in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Sacramento Valley Charter School's state programs as noted below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Sacramento Valley Charter School's state programs based on our audit of the types of 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the Sacramento Valley Charter 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 with the requirements referred to above. However, our audit does not provide a legal determination of Sacramento Valley Charter School's compliance with those requirements.

Compliance Requirements Tested

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS (EXCEPT AS STATED IN ATTENDANCE AND DISTANCE LEARNING AND INSTRUCTIONAL TIME)	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Not Applicable
Kindergarten Continuance	Not Applicable
Instructional Time	Yes
Instructional Materials	Not Applicable
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Not Applicable
District of Choice	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
CHARTER SCHOOLS	
Independent Study-Course Based	Not Applicable
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Charter School Facility Grant Program	Yes

Opinion on State Compliance

In our opinion, Sacramento Valley Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
December 13, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SACRAMENTO VALLEY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

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

<u>Five Digit Code</u>	<u>Finding types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state compliance for the year ended June 30, 2021.

**SACRAMENTO VALLEY CHARTER SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

No findings were reported in the prior year.