

SACRAMENTO VALLEY CHARTER SCHOOL
Charter No. 1338
Audited Financial Statements
June 30, 2023



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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sacramento Valley Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Valley Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Sacramento Valley Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(J) to the financial statements, Sacramento Valley Charter School changed its method of accounting for leases due to the adoption of Topic 842 as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sacramento Valley Charter School'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Sacramento Valley Charter School'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 Sacramento Valley Charter School'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 accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and as required by the *2022-23 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 14, 2023, 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.

Harshmal & Company LLP

Oakland, California
December 14, 2023

FINANCIAL SECTION

SACRAMENTO VALLEY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets:

Cash	\$ 3,257,087
Accounts receivable (Note 4)	1,231,574
Prepaid expenses and other assets	<u>32,232</u>
Total current assets	<u>4,520,893</u>

Noncurrent assets:

Long-term deposits (Note 7)	151,200
Right of use asset – operating lease, net	356,951
Property and equipment - net (Note 5)	444,837
Intangible assets - net (Note 6)	<u>33,891</u>
Total noncurrent assets	<u>986,879</u>

Total assets	<u><u>\$ 5,507,772</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Account payable	\$ 464,149
Accrued liabilities	39,903
Deferred revenue (Note 8)	131,821
Lease liability - operating lease	359,225
Note payable, current (Note 10)	<u>115,213</u>
Total current liabilities	<u>1,110,311</u>

Noncurrent:

Lease liability - operating lease, net of current portion (Note 9)	11,233
Notes payable, less current portion (Note 10)	<u>30,275</u>
Total noncurrent liabilities	<u>41,508</u>
Total liabilities	<u>1,151,819</u>

Net assets:

With donor restrictions	1,333,623
Without donor restrictions	<u>3,022,330</u>
Total net assets	<u>4,355,953</u>
Total liabilities and net assets	<u><u>\$ 5,507,772</u></u>

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

**SACRAMENTO VALLEY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND SUPPORT			
Local Control Funding Formula Sources:			
State aid	\$ 2,763,982	\$ -	\$ 2,763,982
EPA entitlement	234,067	-	234,067
Cash in-lieu of property taxes	631,070	-	631,070
Federal revenues	-	353,704	353,704
Other state revenue	115,199	1,709,198	1,824,397
Local revenue:			
Other local revenue	136,379	-	136,379
Net asset released from restrictions	<u>1,041,010</u>	<u>(1,041,010)</u>	<u>-</u>
Total revenues, gains, and support	<u>4,921,707</u>	<u>1,021,892</u>	<u>5,943,599</u>
EXPENSES			
Program expenses:			
Educational programs	3,650,533	-	3,650,533
Supporting services:			
Management and general	<u>530,262</u>	<u>-</u>	<u>530,262</u>
Total expenses	<u>4,180,795</u>	<u>-</u>	<u>4,180,795</u>
Change in net assets	740,912	1,021,892	1,762,804
Net assets, beginning of year, as restated	<u>2,281,418</u>	<u>311,731</u>	<u>2,593,149</u>
Net assets, end of year	<u>\$ 3,022,330</u>	<u>\$ 1,333,623</u>	<u>\$ 4,355,953</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, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,762,804
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	117,826
Net change in operating right-of-use assets and lease liabilities	13,507
Changes in operating assets and liabilities:	
Accounts receivable	(612,807)
Prepaid expense	11,418
Accounts payable	187,493
Accounts payable	1,762
Unearned revenue	<u>26,579</u>
Net cash provided by operating activities	<u>1,508,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(73,471)</u>
Net cash used in investing activities	<u>(73,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of loans	<u>(117,623)</u>
Net cash used in financing activities	<u>(117,623)</u>
NET INCREASE IN CASH	1,317,488
CASH, beginning of year	<u>1,939,599</u>
CASH, end of year	<u>\$ 3,257,087</u>
Supplemental disclosures:	
Interest paid during the year	<u>\$ 12,825</u>

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

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. Effective July 1, 2021, the Charter School renewal date has been extended by legislation from June 30, 2024 to June 30, 2027. 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, 2023

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. Right-of-Use (ROU) Assets and Lease Liabilities

Operating lease right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The ROU assets resulting from operating leases are disclosed separately as right-of-use asset – operating lease and the related liabilities are included in lease liability – operating leases in the Statements of Financial Position.

At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying Statements of Functional Expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option.

The Charter School determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term less than 12 months for which the Charter School made the short-term lease election.

The Charter School elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

D. 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 3-8 years.

E. 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.

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

F. 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.

G. 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.

H. 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.

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.

I. 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.

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

J. Recent accounting pronouncement adopted

The Charter School adopted Accounting Standards Update 842, *Leases*, (ASC 842) effective July 1, 2022. This standard requires lessees to recognize leases on the Statement of Financial Position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Charter School used the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs.

Upon adoption, the Charter School recognized an operating ROU asset and a lease liability in the amount of \$692,969, using the modified retrospective alternative method. No cumulative-effect adjustments were required. Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities on the Statements of Financial Position, with no cumulative impact to net assets.

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, 2023, the Charter School has uninsured balance of \$1,277,903.

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, 2023, that could readily be made available within one year to fund expenses without limitations:

Cash and cash equivalents	\$ 3,257,087
Accounts receivable	<u>1,231,574</u>
Total financial assets available for general expenditures within one year	<u>\$ 4,488,661</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2023:

State sources	\$ 1,111,482
Local sources	25,080
Federal sources	<u>95,012</u>
	<u>\$ 1,231,574</u>

NOTE 5: PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2023, is as follows:

Vehicles	\$ 1,013,471
Less: accumulated depreciation	<u>(568,634)</u>
	<u>\$ 444,837</u>

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6: INTANGIBLE ASSETS

Intangible assets, net consists of the following at June 30, 2023:

Curriculum licenses	\$ 74,829
Less: accumulated amortization	<u>(40,938)</u>
	<u><u>\$ 33,891</u></u>

Amortization expense for the year ended June 30, 2023, totaled \$10,234 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>	
2024	\$ 9,422
2025	9,422
2026	9,422
2027	<u>5,625</u>
	<u><u>\$ 33,891</u></u>

NOTE 7: RELATED PARTY TRANSACTIONS

The Charter School and the Sikh Temple Sacramento (the Temple) share one common board member 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. At its May 15, 2019, special meeting, the Board approved a facility lease agreement effective July 1, 2019 through June 30, 2024, at a cost per square foot of \$1.35 with future increase tied to K-14 COLA adopted state budget cost of living allowance. The Charter School occupies a total of 15,935 square feet, of which 7,465 square feet at 2301 Evergreen Ave consists of classroom space, restrooms, open space in front of the classrooms, stairways, hallways and office space and 8,470 square feet at 2399 Sellers Way consists of the school office, staff room, classrooms, restrooms and the multipurpose room. In addition, the Charter School pays the Temple for use of kitchen and dining facilities during the school year for the Charter School's student lunch program.

During the fiscal year ending June 30, 2023, the Charter School paid the Temple \$328,644 in lease payments.

Future COLA estimates for the fiscal year 2023-24 is 8.22%.

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, 2023

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: DEFERRED REVENUE

As of June 30, 2023, unearned revenue consisted of the following:

Child Dev UTK Planning & Implement Grant	\$ 98,323
Elementary and Secondary School Emergency Relief III	<u>33,498</u>
Total net assets with donor restrictions	<u><u>\$ 131,821</u></u>

NOTE 9: OPERATING LEASES

In July 2019, the Charter School entered into a lease agreement with Sikh Temple Sacramento (see Note 7) for use of space located at 2399 Sellers Way and 2301 Evergreen Avenue, West Sacramento, California. The facility is utilized mainly for instructional purpose. The lease agreement covers a term beginning July 1, 2019 through June 30, 2024.

In addition, the Charter school leased equipment under noncancellable operating lease agreement with an expiration date of October 25, 2025.

Maturity of the operating lease liability as of June 30, 2023, is as follows:

<u>Year ending June 30,</u>	
2024	\$ 364,234
2025	8,576
2026	<u>2,859</u>
Total undiscounted minimum lease payments	375,669
Less discount to present value	<u>(5,211)</u>
Total operating lease liability	<u><u>\$ 370,458</u></u>

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9: OPERATING LEASES(CONT'D)

Lease costs and other related information for the year ended June 30, 2023 were as follows:

Lease cost - operating leases	\$350,727
Other information	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows for operating leases	\$337,220
Weighted average remaining lease term (years):	1.07
Weighted average discount rate:	2.84%

NOTE 10: NOTES PAYABLE

The following is a summary of long-term notes payable at June 30, 2023:

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 \$35,783,	\$ 28,325
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 \$81,840.	<u>117,163</u>
		145,488
	Less: current portion included in current liabilities	<u>(115,213)</u>
	Non-current portion	<u>\$ 30,275</u>

Loan maturities for each of the five years following June 30, 2023, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>
2024	\$ 115,213
2025	<u>30,275</u>
Total	<u>\$ 145,488</u>

NOTE 11: 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, 2023, the Charter School accrued \$35,783 as oversight fee expense.

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12: RESTRICTED NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023:

Learning Recovery Emergency Block Grant (LREBG)	\$ 505,502
2600- Educational Opportunity Program (EOP)	444,702
CA Energy - Prop 39	151,200
Educator Effectiveness	85,393
Art, Music, IM BG 2022-23	81,629
Lottery Instructional Materials	36,583
Special Education	15,606
State Mental Health - Related services	11,742
Classified Schl Empl PD Block Grant	<u>1,266</u>
Total net assets with donor restrictions	<u>\$ 1,333,623</u>

Net assets released from restriction during the year were:

Beginning net assets with donor restrictions, as restated	\$ 311,731
Restricted grants received	2,062,902
Net assets released from restriction:	
Restricted purpose satisfied	<u>(1,041,010)</u>
Ending net assets with donor restrictions	<u>\$ 1,333,623</u>

NOTE 13: COMMITMENT AND 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.

NOTE 14: FUNCTIONAL EXPENSES

For the year ended June 30, 2023, 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	\$ 1,336,872	\$ 63,587	\$ 1,400,459
Classified salaries	778,742	157,900	936,642
Employee benefits	343,039	43,313	386,352
Books and supplies	323,446	12,205	335,651
Rent	284,998	65,729	350,727
Services and other operating expenses	452,785	187,528	640,313
Depreciation and amortization	117,826	-	117,826
Interest expense	<u>12,825</u>	<u>-</u>	<u>12,825</u>
Total expenses	<u>\$ 3,650,533</u>	<u>\$ 530,262</u>	<u>\$ 4,180,795</u>

SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15: RESTATEMENT

The Charter School determined that deferred revenue in the amount of \$71,673 was not properly recorded as of June 30, 2022. As a result, the Charter School restated the beginning net asset to correct this error. The effect of this restatement was to increase net assets with donor restrictions and reduce deferred revenue as of July 1, 2022, by \$71,673.

NOTE 16: SUBSEQUENT EVENTS

The management of the Charter School reviewed the results of operations for the period of time from its year end June 30, 2023 through December 14, 2023, 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, 2023**

	<u>Charter School</u>
June 30, 2023 Unaudited Actuals Financial Report	\$ <u>4,297,785</u>
Adjustments:	
Increasing (decreasing) the fund balance:	
Lease expense related to ASC 842 implementation	(13,507)
Overstatement of deferred revenue	71,673
Rounding	<u>2</u>
Net adjustments	<u><u>58,168</u></u>
June 30, 2023, audited financial statement net assets	\$ <u><u>4,355,953</u></u>

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL
ORGANIZATION
JUNE 30, 2023**

Sacramento Valley Charter School (Charter School No.1338) 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 transitional kindergarten to eighth grades.

GOVERNING BOARD

Member	Office	Term
Bhajan Bhinder	Chairman	8/31/2024
Narinder Thandi	President	8/31/2023
Daljit Ghuman	Vice President	8/31/2024
Surjit Dhillon	Secretary	8/31/2023
Surinder Bassi	Member	8/31/2023

ADMINISTRATION

Dr. Amrik Singh
Principal

**SACRAMENTO VALLEY CHARTER SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

Classroom based ADA:	<u>Second Period Report</u>	<u>Annual Report</u>
Grades TK through 3	154.93	153.97
Grades 4 through 6	76.11	76.05
Grades 7 through 8	<u>57.16</u>	<u>56.71</u>
ADA total	<u><u>288.20</u></u>	<u><u>286.73</u></u>

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023**

Grade Level	Instructional Minutes		Instructional Days	Status
	Requirement	Actual		
Kindergarten	36,000	57,510	180	Complied
Grade 1	50,400	58,365	180	Complied
Grade 2	50,400	58,365	180	Complied
Grade 3	50,400	58,365	180	Complied
Grade 4	54,000	58,365	180	Complied
Grade 5	54,000	58,365	180	Complied
Grade 6	54,000	60,930	180	Complied
Grade 7	54,000	60,930	180	Complied
Grade 8	54,000	60,930	180	Complied

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

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 Average Daily Attendance

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

Schedule of Instructional Time

This schedule presents information on the number of instructional time offered on the traditional calendar by the Charter School and whether the Charter School complied with the provisions of Education Code section 47612 and 47612.5.

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, 2023, 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 14, 2023.

Report on 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) 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 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 14, 2023**

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on Compliance

Opinion on State Compliance

We have audited Sacramento Valley Charter School compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Sacramento Valley Charter School's state program requirements identified below for the year ended June 30, 2023.

In our opinion, Sacramento Valley Charter School complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sacramento Valley Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our audit does not provide a legal determination of Sacramento Valley Charter School's state programs.

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 Sacramento Valley Charter School's state programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed below has occurred, whether due to fraud or error, and express an opinion on Sacramento Valley Charter School’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sacramento Valley Charter School’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sacramento Valley Charter School’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sacramento Valley Charter School’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of Sacramento Valley Charter School’s internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Sacramento Valley Charter School’s compliance with the state laws and regulations applicable to the following items:

<i>2022-23 K-12 Audit Guide Procedures</i>	Procedures Performed
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Not Applicable
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
Immunization	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive	Not Applicable
Transitional Kindergarten	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

The term "Not Applicable" is used above to mean either that the Charter School did not offer the program during the current fiscal year or that the program applies only to a different type of local education agency.

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 state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 compliance requirements as identified in the table below 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 above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the requirements of the *2022-23 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 14, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SACRAMENTO VALLEY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023.

**SACRAMENTO VALLEY CHARTER SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

No findings were reported in the prior year.