

**CHICO COUNTRY DAY CHARTER SCHOOL
CHARTER # 0112**

**(A CALIFORNIA NON-PROFIT
PUBLIC BENEFIT CORPORATION)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

JUNE 30, 2023

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chico Country Day Charter School
Chico, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chico Country Day Charter School, a California non-profit public benefit corporation, 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 present fairly, in all material respects, the financial position of Chico Country Day 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 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 Chico Country Day 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 opinions.

Emphasis of Matter

As described in Note 1B to the financial statements, the Charter School changed accounting policies related to leases by adopting Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02 (ASU 2016-02), *Leases (Topic 842)* in fiscal year 2022-23. 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 Chico Country Day 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 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. 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 Chico Country Day 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 Chico Country Day 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 listed in the table of contents 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of Chico Country Day 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 Chico Country Day 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 Chico Country Day Charter School's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2023

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current:	
Cash and Cash Equivalents (Note 2)	\$ 2,678,458
Accounts Receivable (Note 3)	1,904,607
Total Current Assets	<u>4,583,065</u>
Long-Term:	
Property and Equipment: (Note 4)	
Land	186,105
Buildings and Improvements	2,000,286
Leasehold Improvements	119,878
Equipment	12,738
Less: Accumulated Depreciation	<u>(827,157)</u>
Property and Equipment, net	<u>1,491,850</u>
Finance Right-of-Use Assets (Note 4)	
Buildings and Improvements	7,830,542
Equipment	298,683
Less: Accumulated Amortization	<u>(1,501,691)</u>
Finance Right-of-Use Assets, net	<u>6,627,534</u>
Total Long-Term Assets	<u>8,119,384</u>
Total Assets	<u><u>\$ 12,702,449</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current:	
Accounts Payable	\$ 1,628,611
Deferred Revenue (Note 1K)	190,053
Compensated Absences (Note 1L)	49,100
Long-Term:	
<i>Portion Due or Payable Within One Year:</i>	
Finance Lease Liability (Note 7)	<u>215,961</u>
Total Current Liabilities	2,083,725
<i>Portion Due or Payable After One Year:</i>	
Finance Lease Liability (Note 7)	<u>3,117,141</u>
Total Liabilities	<u>5,200,866</u>

NET ASSETS

Net Assets Without Donor Restrictions:	
Invested in Property and Equipment, net of Related Debt	4,786,282
Undesignated	<u>2,715,301</u>
Total Net Assets	<u>7,501,583</u>
Total Liabilities and Net Assets	<u><u>\$ 12,702,449</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>REVENUES</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTALS</u>
Local Control Funding Formula	\$ 5,705,917		\$ 5,705,917
Federal Revenues:			
Education Stabilization Fund Programs	264,775		264,775
Special Education	82,946		82,946
Other Federal	(15,420)		(15,420)
State Revenues:			
Special Education	474,011		474,011
Educator Effectiveness	211,214		211,214
Lottery	202,395		202,395
Arts and Music Block Grant	178,592		178,592
Learning Recovery Emergency Block Grant	271,661		271,661
Other State	19,560		19,560
Local Revenues:			
Interest	1,286		1,286
Preschool and Afterschool Programs	294,793		294,793
Donations and Fundraising	101,658		101,658
Other Local	147,090		147,090
Total Revenues	<u>7,940,478</u>	<u>\$ 0</u>	<u>7,940,478</u>
<u>EXPENSES</u>			
Program:			
Educational Programs	6,689,269		6,689,269
Supporting Services:			
General and Administrative	<u>1,467,009</u>		<u>1,467,009</u>
Total Expenses	<u>8,156,278</u>	<u>0</u>	<u>8,156,278</u>
Change in Net Assets	(215,800)	0	(215,800)
Net Assets - Beginning of Year	<u>7,717,383</u>	<u>0</u>	<u>7,717,383</u>
Net Assets - End of Year	<u>\$ 7,501,583</u>	<u>\$ 0</u>	<u>\$ 7,501,583</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHICO COUNTRY DAY CHARTER SCHOOL

(A California Non-Profit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Program Services Educational Programs	Supporting Services General and Administrative	Total Expenses
Teachers' Salaries	\$ 2,355,391		\$ 2,355,391
Supervisor's and Administrator's Salary	699,635	\$ 232,485	932,120
Instructional Aides' Salaries	889,755		889,755
Clerical and Support Salaries	458,209	132,196	590,405
Employee Benefits	1,389,737	126,659	1,516,396
Books and Supplies	161,346	13,304	174,650
Services and Other Operating Expenses:			
Travel and Conferences	159,035	5,849	164,884
Dues and Memberships	8,860	1,750	10,610
Insurance		115,833	115,833
Professional Services	567,301	144,353	711,654
Communications		13,120	13,120
Utilities and Housekeeping Services		182,657	182,657
Rentals, Repairs and Maintenance		49,153	49,153
Debt Service - Interest and Fiscal Charges		76,638	76,638
Oversight Fee		44,712	44,712
Depreciation and Amortization		328,300	328,300
Total Expenses	<u>\$ 6,689,269</u>	<u>\$ 1,467,009</u>	<u>\$ 8,156,278</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ (215,800)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	328,300
(Increase) Decrease in Assets:	
Accounts Receivable	(565,612)
Prepaid Expenses	66,102
Increase (Decrease) in Liabilities:	
Accounts Payable	984,680
Deferred Revenue	190,053
Compensated Absences	<u>(36,061)</u>
Net Cash Provided by Operating Activities	<u>751,662</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on Finance Lease Liability	<u>(207,474)</u>
Net Cash Used by Financing Activities	<u>(207,474)</u>
Net Increase in Cash and Cash Equivalents	544,188
Cash and Cash Equivalents, Beginning of Year	<u>2,134,270</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,678,458</u></u>

SUPPLEMENTAL DISCLOSURES:

Cash Paid for Interest	<u><u>\$ 76,638</u></u>
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CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Chico Country Day Charter School (Charter School), a California non-profit public benefit corporation, was formed to manage, operate, guide, direct and promote the Chico Country Day Charter School, a California Public School. The charter was originally approved by Chico Unified School District in 1996 and renewed in July 2004, and was granted tax exempt status by the State of California on June 4, 2004. The Charter School is funded principally through State of California public education monies received through the California Department of Education and Chico Unified School District (the District). The Charter School is governed by a seven (7) member Governing Board.

The District renewed the charter through June 30, 2025. Effective July 1, 2021, all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years, and all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year pursuant to Education Code Section 47607.4. The charter may be revoked by the District for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or for any violation of any provision of the law.

B. Implementation of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02 (ASU 2016-02), *Leases (Topic 842)*, with required implementation for the Charter School during the fiscal year ended June 30, 2023. The new standard requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. It establishes a right of use ("ROU") that requires the lessee to recognize an ROU asset and lease liability on the Statement of Financial Position for all leases with a term longer than twelve months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statement of Activities. The Charter School adopted the leasing standards effective July 1, 2022 using the modified retrospective approach with July 1, 2022 as the initial date of application and elected the package of practical expedients available under the new guidance, which allows the Charter School to: (1) not reassess whether any expired or existing leases previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases, and (3) not reassess initial direct costs for any existing leases. The Charter School also elected to apply the practical expedient to use hindsight in determining the lease term.

C. Basis of Presentation

The Charter School's financial statements presentation follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, which provides guidance for the classification of net assets. The amounts for the two classes of net assets are based on the existence or absence of donor-imposed restrictions. Net assets consist of the following:

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Net Assets Without Donor Restrictions - All resources over which the Governing Board has discretionary control to use in carrying on the general operations of the Charter School. This portion of net assets is not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - These net assets are subject to donor-imposed restrictions to be used for specific purposes. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. At that time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. The Charter School had no net assets with donor restrictions as of June 30, 2023.

D. Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The Charter School uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

E. Revenue Recognition

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to the Charter School or when received, whichever occurs first. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. At that time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which is generally upon the incurrence of expenses related to the required services. Per-pupil funding from the California Department of Education is recognized as revenue by the Charter School based on the average daily attendance (ADA) of students.

F. Cash, Cash Equivalents and Concentration of Credit Risk

The Charter School maintains cash in commercial bank accounts that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The Charter School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. For purposes of the statement of cash flows, the Charter School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

The Charter School considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

H. Prepaid Expenses

Prepaid expenses reflect payments made in the current fiscal year for expenses related to future periods. There was no balance as of June 30, 2023.

I. Property and Equipment

All acquisitions or improvements of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments exceeding \$5,000 that materially prolong the useful lives of assets are capitalized. All capital assets are capitalized at cost, or in the case of donated equipment, fair market value on the date of receipt, and depreciated and amortized using the straight-line method over their estimated useful lives of 3 to 50 years.

J. Right-of-Use ("ROU") Assets and Lease Liability

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). Operating lease payments are recognized on a straight-line basis over the lease term. The Charter School is a lessee in a building and classrooms, several noncancellable leases for copiers, and computer related equipment. Leases for the building, classrooms, and equipment were evaluated using the criteria outlined in ASC Topic 842 to determine whether the equipment leases were operating or capital leases.

As of June 30, 2023, the building, classrooms, and equipment leases were determined to be finance leases, and are recorded separately on the Statement of Financial Position as both a right-of-use ("ROU") asset and lease liability, calculated by discounting fixed lease payments over the lease term at the incremental borrowing rate. The Charter School has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases (initial terms of twelve months or less) for any class of underlying asset.

K. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenses have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenses.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

Compensated absences balance represents vacation pay earned but unpaid as of June 30 of the fiscal year.

M. Donated Materials, Services, and Facilities

In-kind contributions are recorded at their estimated fair values at the date of donation. Donated services are recorded when they create or enhance non-financial assets or require a specialized skill that the Charter School would otherwise need to purchase.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

O. Income Taxes

Chico Country Day Charter School has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. There is no unrelated taxable income and, accordingly, no provision for income taxes has been reflected in these financial statements.

P. Oversight

The Chico Unified School District receives 1% of the Charter School's annual revenues from LCFF sources for monitoring and supervisory responsibility.

Q. Functional Classification of Expenses

The costs of the program and supporting services have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied.

The Charter School classifies its expenses based on the following categories:

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Q. Functional Classification of Expenses (Concluded)

Program Services

- Instruction and instructional related programs
- Special education
- Field trips

Supporting Activities

- Administration and business office staff
- Professional services
- Insurance

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash on Hand and in Banks	<u>\$ 2,678,458</u>
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Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the Charter School and all cash maintained in commercial FDIC insured bank accounts within various financial institutions.

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2023 consist of the following:

Federal Government	\$ 282,521
State Government	1,317,229
Local Governments	136,093
Miscellaneous	<u>168,764</u>
Total	<u>\$ 1,904,607</u>

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - PROPERTY AND EQUIPMENT

A. Property and equipment activity for the year ended June 30, 2023, is shown below:

	Balances July 1, 2022	Additions	Deletions	Balances June 30, 2023
Land	\$ 186,105			\$ 186,105
Buildings and Improvements	2,000,286			2,000,286
Leasehold Improvements	119,878			119,878
Equipment	12,738			12,738
Totals at Historical Cost	<u>2,319,007</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>2,319,007</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	707,132	71,295		778,427
Leasehold Improvements	33,862	5,995		39,857
Equipment	6,665	2,208		8,873
Total Accumulated Depreciation	<u>747,659</u>	<u>79,498</u>	<u>0</u>	<u>827,157</u>
Property and Equipment, net	<u>\$ 1,571,348</u>	<u>\$ (79,498)</u>	<u>\$ 0</u>	<u>\$ 1,491,850</u>

B. Finance right-of-use assets activity for the year ended June 30, 2023, is shown below:

	Balances July 1, 2022	Additions	Deletions	Balances June 30, 2023
Buildings and Improvements	\$ 7,830,542			\$ 7,830,542
Equipment	298,683			298,683
Totals at Historical Cost	<u>8,129,225</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>8,129,225</u>
Less Accumulated Amortization for:				
Buildings and Improvements	1,252,887	156,611		1,409,498
Equipment		92,193		92,193
Total Accumulated Amortization	<u>1,252,887</u>	<u>248,804</u>	<u>0</u>	<u>1,501,691</u>
Finance Right-of-Use Assets, net	<u>\$ 6,876,338</u>	<u>\$ (248,804)</u>	<u>\$ 0</u>	<u>\$ 6,627,534</u>

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Charter School has \$4,583,065 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$2,678,458 and accounts receivable of \$1,904,607. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The Charter School has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$575,000.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONCLUDED)

The Charter School has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Charter School invests cash in excess of daily requirements in various short-term investments, including certificate of deposits. As more fully described in Note 6, the Charter School also has a committed line of credit in the amount of \$250,000, which it would draw upon in the event of an unanticipated liquidity need.

NOTE 6 - LINE OF CREDIT

On September 15, 2022, the Charter School renewed their line of credit, with Northern California National Bank, in the amount of \$250,000. The line of credit expires on December 31, 2023. There was no balance on the line of credit as of June 30, 2023.

NOTE 7 - FINANCE LEASES

On April 13, 2011, the Charter School entered into a Charter School Facilities Program (CSFP) funding agreement with the State Allocation Board and the California School Finance Authority. Under the terms of the agreement, the California School Finance Authority agreed to provide financing to cover the Charter School's fifty percent (50%) local matching share of approved project costs related to the construction and acquisition of certain Charter School facilities. During 2013-14, the Charter School received \$3,977,825 from the California School Finance Authority in the form of lease proceeds. In accordance with the terms of the agreement, the Charter School was not required to make lease payments until after the final terms of the lease were determined. The final terms of the agreement were finalized at an interest rate of 2% in the 2015-16 fiscal year.

In addition, the Charter School is obligated under non-cancelable finance leases for copiers and computer related equipment through 2028. Interest expense on the finance lease liability totaled \$9,251 for the year ended June 30, 2023. Future finance lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease</u> <u>Payments</u>
2024	\$ 288,515
2025	245,217
2026	224,040
2027	206,686
2028	199,867
2029-2033	931,139
2034-2038	931,139
2039-2043	931,139
2044-2048	96,712
Total payments	4,054,454
Less discount to present value	(721,352)
Total finance lease liabilities	<u><u>\$ 3,333,102</u></u>

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 - FINANCE LEASES (CONCLUDED)

Average finance lease term and discount rate as of June 30, 2023 was as follows:

Supplementary Qualitative Finance Lease Information

Weighted-Average Remaining Lease Term (Years)	14.27
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Weighted-Average Discount Rate	2.25%
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NOTE 8 - BOARD DESIGNATED NET ASSETS

The Board did not have any designated net assets as of June 30, 2023.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer defined benefit pension plan is different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Benefits Provided (Concluded)

Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The Charter School contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or before January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, employer, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation. The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. The contribution rates for each plan for the year ended June 30, 2023, are presented above. The Charter School contributed \$475,782 to the plan for the fiscal year ended June 30, 2023.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The Charter School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or before January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Charter School is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above. The Charter School contributed \$268,201 to the plan for the fiscal year ended June 30, 2023.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The Charter School has elected to use Social Security as its alternative plan. Contributions made by the Charter School and an employee vest immediately. Both the Charter School and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 10 - RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Charter School has purchased, through the Charter Safe JPA, various insurance policies for property and liability and workers' compensation insurance coverage. There were no significant reductions in coverage during the year.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The Charter School 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 expense disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Litigation

The Charter School is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Charter School.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 12 - SUBSEQUENT EVENTS

The Charter School's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 12, 2023, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

SUPPLEMENTARY INFORMATION SECTION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

ORGANIZATION/BOARD OF DIRECTORS/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

ORGANIZATION

The Chico Country Day Charter School was established in June 1996 through authority established in Education Code Section 47600, and became an independent 501(c)(3) organization in 2004. The Charter School is located in Chico, California. The Charter School currently operates a K-8 elementary school and is sponsored by the Chico Unified School District.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Thang Ho	President	2026
Devjani Banerjee-Stevens	Vice President	2024
Ross Simmons	Treasurer	2025
Santy Gray	Secretary	2025
Charles Carter	Member	2024
Nick Trover	Member	2025
Melissa Pearson	Member	2024

ADMINISTRATION

Gretchen Bender
Chief Business Officer

Wendy Fairon
Chief Executive Officer

Claudia Trout
Director of Student Affairs

Amie Parent
Director of Student Support Services

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Grade Level</u>	<u>P-2 Report</u>		<u>Annual Report</u>	
	<u>Classroom- Based</u>	<u>Totals</u>	<u>Classroom- Based</u>	<u>Totals</u>
TK / K - 3	251.78	254.21	252.70	254.77
Grades 4-6	168.95	171.05	169.31	171.29
Grades 7-8	108.56	109.75	108.45	109.37
Totals	<u>529.29</u>	<u>535.01</u>	<u>530.46</u>	<u>535.43</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Grade Level</u>	<u>Minutes Required</u>	<u>2022-23 Actual Minutes</u>	<u>Instructional Days</u>		<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
			<u>Number of Days Traditional Calendar</u>	<u>J-13A Credited</u>		
Kindergarten	36,000	42,410	179	0	N/A	In Compliance
Grade 1	50,400	53,275	179	0	N/A	In Compliance
Grade 2	50,400	53,275	179	0	N/A	In Compliance
Grade 3	50,400	54,225	179	0	N/A	In Compliance
Grade 4	54,000	56,745	179	0	N/A	In Compliance
Grade 5	54,000	56,745	179	0	N/A	In Compliance
Grade 6	54,000	59,766	179	0	N/A	In Compliance
Grade 7	54,000	59,766	179	0	N/A	In Compliance
Grade 8	54,000	59,766	179	0	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Charter Schools Enterprise Fund
Annual Financial Report Net Assets - June 30, 2023	<u>\$ 7,659,360</u>
Adjustments Increasing (Decreasing) Net Assets:	
Understatement of LCFF Revenue	189,487
Overstatement of Federal Revenues	(102,162)
Overstatement of State Revenues	(87,145)
Overstatement of Local Revenues	(104,938)
Understatement of Certificated Salaries	(24,550)
Understatement of Classified Salaries	(24,550)
Overstatement of Oversight Fee Expenses	<u>(3,919)</u>
Net Adjustments	<u>(157,777)</u>
Audited Financial Statement Net Assets - June 30, 2023	<u><u>\$ 7,501,583</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance 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 classroom-based and all students reported by grade span.

B. Schedule of Instructional Time

This schedule presents information on the instructional days provided and the amount of instructional time offered by the charter school and whether the charter school complied with the provisions of Education Code Sections 47612 and 47612.5.

C. Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets as reported in the Annual Financial Report to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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

Board of Directors
Chico Country Day Charter School
Chico, 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 Chico Country Day Charter School, a California non-profit public benefit corporation, 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, and have issued our report thereon dated December 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chico Country Day 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 Chico Country Day Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as **Findings 2023-001, 2023-002, 2023-003, and 2023-004** to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as **Finding 2023-005** to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chico Country Day 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*.

Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Chico Country Day Charter School's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Chico Country Day Charter School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2023

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors
Chico Country Day Charter School
Chico, California

Report on State Compliance

Opinion on State Compliance

We have audited Chico Country Day Charter School's (Charter School) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* applicable to the Charter School's state programs identified below for the year ended June 30, 2023.

In our opinion, Chico Country Day 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; and the *2022-23 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (2022-23 Audit Guide)*. Our responsibilities under those standards and the *Audit Guide* 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 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. Our audit does not provide a legal determination of the Charter School'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 Chico Country Day 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 referred to above occurred, whether due to fraud or error, and express an opinion on the 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 Educational 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 the 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 Educational 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 the 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 the 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 Educational Agencies and State Compliance Reporting* but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over compliance. Accordingly, we express no such opinion; and;
- Select and test transactions and records to determine the Charter School's compliance with state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Not Applicable
Teacher Certification and Misassignments	Not Applicable
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Not Applicable
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Gann Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Not Applicable
District of Choice	Not Applicable
Home To School Transportation Reimbursement	Not Applicable
Independent Study Certification For ADA Loss Mitigation	Not Applicable
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
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the nonclassroom-based instruction/independent study for charter schools because the ADA claimed by the Charter School did not exceed the threshold that requires testing.

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2023-006**.

Other Matters (Concluded)

Government Auditing Standards requires the auditor to perform limited procedures on the Charter School's response to the noncompliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 12, 2023

FINDINGS AND QUESTIONED COSTS SECTION

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

State Awards

Type of auditor's report issued on compliance for state programs:	Unmodified	
Any audit findings required to be reported in accordance with the <i>2022-23 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting</i> ?	<u> X </u> Yes	<u> </u> No
Any audit findings required to be reported in accordance with other state laws and regulations?	<u> </u> Yes	<u> X </u> No
Internal control over state programs:		
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

2023 - 001 / 30000

MATERIAL WEAKNESS

FINANCIAL REPORTING - UNAUDITED ACTUALS

<u>Criteria:</u>	Each year, charter schools are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. Accordingly, the Charter School should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.
<u>Condition:</u>	The Charter School's "Unaudited Actuals" included misstatements that we consider to be material to their annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where audit adjustments were required.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments that were made to ensure that the Charter School's Enterprise Fund financial statements were fairly stated are presented on page 23 of this report.
<u>Effect:</u>	When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis.
<u>Cause:</u>	The Charter School did not appear to perform a formal comprehensive financial reporting review of the information that is presented in the "Unaudited Actuals".
<u>Recommendation:</u>	The Charter School should develop a comprehensive financial reporting checklist, which can be used by staff during the year-end closing process, to prevent material misstatements from occurring in the future.
<u>Charter Response:</u>	Chico Country Day School accepts this finding and is developing a comprehensive financial reporting checklist to be used during the year-end closing process to prevent misstatements.

CHICO COUNTRY DAY CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023 - 002 / 30000

MATERIAL WEAKNESS

ACCOUNTS RECEIVABLE / PAYABLE RECONCILIATION

Criteria: An effective system of internal control over financial reporting requires all accounts receivable and accounts payable accruals established in the prior fiscal year to be reconciled to amounts actually received and paid. In addition, any differences noted between the amounts accrued and the amounts actually received and paid should be investigated and cleared in a timely manner.

Condition: Accounts receivable and payable accruals that were established in the prior fiscal year were not reconciled to the amounts actually received and paid during the current year. As a result, several accounts receivable and payable balances were not cleared during the 2022-23 fiscal year, and in some instances, receipts in excess of prior year accounts receivable balances were posted to the accounts receivable account resulting in negative account receivable balances.

Questioned Costs: None.

Context: The condition existed throughout fiscal year 2022-23.

Effect: Accounts receivable and accounts payable accruals were not reconciled and cleared in a timely manner.

Cause: The Charter School has not established policies and procedures to ensure that only legitimate accounts receivable and accounts payable balances are included on the general ledger at June 30 of each fiscal year.

Recommendation: The Charter School should establish policies and procedures that require all accounts receivable and accounts payable accruals, established in the prior fiscal year, to be reconciled to amounts actually received and paid. Any differences noted between the amounts accrued and the amounts actually received and paid should be investigated and cleared in a timely manner.

Charter Response: Chico Country Day School accepts this finding and is drafting policies and procedures requiring all accounts receivable and accounts payable accruals established in the prior fiscal year to be reconciled to amounts actually received and paid. Any amounts accrued and received or paid will be investigated and cleared in a timely manner.

CHICO COUNTRY DAY CHARTER SCHOOL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023 - 003 / 30000

MATERIAL WEAKNESS

PAYROLL CLEARING ACCOUNTS

<u>Criteria:</u>	An appropriate system of internal control over financial reporting requires that payroll clearing accounts used to facilitate the payment of items such as health and welfare benefits, taxes, and insurance, should be reconciled on a periodic basis, to ensure that all related liability and expenditure balances are properly reported.
<u>Condition:</u>	Payroll clearing accounts were not reconciled on a routine basis and was not reconciled as of June 30, 2023.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	Payroll related clearing accounts.
<u>Effect:</u>	The Charter School does not have procedures in place to ensure that the payroll related clearing accounts are functioning as intended, and to confirm that the related liabilities and expenditure balances are properly reported.
<u>Cause:</u>	The Charter School does not have appropriate procedures in place to ensure that payroll related clearing accounts are reconciled on a monthly basis.
<u>Recommendation:</u>	The Charter School should establish appropriate procedures to ensure that clearing accounts, used to facilitate the payment of health and welfare benefits, are reconciled on a monthly basis and that the reconciliations are retained for audit purposes. Errors detected during the reconciliation process, should be investigated and resolved in a timely manner to ensure that the related liability and expenditure balances are properly reported.
<u>Charter Response:</u>	Chico Country Day School accepts this finding and is in the process of establishing procedures to ensure that all clearing accounts are reconciled on a monthly basis. Errors will be investigated and resolved in a timely manner to ensure balances are properly reported. Reconciliations will be retained for audit purposes.

CHICO COUNTRY DAY CHARTER SCHOOL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023 - 004 / 30000

MATERIAL WEAKNESS

CASH IN BANKS / INVESTMENTS

Criteria: All activity on bank statements and investment statements, should be reconciled on a monthly basis.

Condition: Bank and investment statements were not reconciled on a monthly basis. As a result, the majority of the balances on the bank statements did not agree to the corresponding register balances as of June 30, 2023. In addition, the cash in bank balance for the Charter School's operating bank account was not reconciled properly and had a \$103,646 difference with the register balance as of June 30, 2023.

Questioned Costs: None.

Context: The condition existed throughout the 2022-23 fiscal year.

Effect: Errors or irregularities may occur and not be detected in a timely manner.

Cause: Due to turnover in the Charter School's business office, reconciling bank and investment statements was not a priority of the Charter School.

Recommendation: All bank statements and investment statements should be reconciled on a monthly basis.

Charter Response: CCDS transitioned 100% of the accounting/bookkeeping staff in 2022-23. Existing policies and procedures were inadequate or non-existent and, therefore, couldn't be relied upon for effective guidance. Staff are now receiving comprehensive training on best practices and are documenting policies and procedure to ensure all accounts are reconciled and accurate.

CHICO COUNTRY DAY CHARTER SCHOOL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2023 - 005 / 30000

SIGNIFICANT DEFICIENCY

FEDERAL CASH MANAGEMENT / RECEIVABLES

<u>Criteria:</u>	Direct funded charter schools (local educational agencies (LEAs)) receiving formula based allocations under the Title I, Part A; Title I, Part D, Subpart 2; Title II, Part A; Title III English Learners (EL); Title III Immigrant; and Title IV, Part A programs under the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act of 2015 (ESSA), must report the cash balance for each of these programs on a quarterly basis to the California Department of Education (CDE) in order to receive their apportionments for those programs. The LEAs report the data through the Web-based Federal Cash Management Data Collection (CMDC) system. The deadline for reporting cash balances for each applicable federal program is 18 months after the end of the fiscal year.
<u>Condition:</u>	The Charter School did not file the required quarterly reports for the Title I and Title II programs within the required time frames.
<u>Questioned Costs:</u>	None. It appears that the Charter School will not receive Title I funds of \$40,186 and Title II funds of \$9,478 from the 2020-21 fiscal year.
<u>Context:</u>	The condition existed throughout the 2021-22 and 2022-23 fiscal years.
<u>Effect:</u>	The Charter School could potentially lose federal funding for Title I and Title II program expenditures due to not filing the required quarterly reports in a timely manner.
<u>Cause:</u>	Due to turnover in the Charter School's business office, reporting quarterly Title I and Title II cash balances with the CDE was not a priority of the Charter School.
<u>Recommendation:</u>	The Charter School should review the requirements for reporting Title I and Title II cash balances to ensure that all required quarterly reports are filed timely.
<u>Charter Response:</u>	Chico Country Day School agrees with this finding. Although CMDC reports were not filed timely in prior years, these reports were a priority of the Charter School in 2022-23. CMDC reports were completed and brought current in October of 2022 for the 2021-22 fiscal year and kept current for 2022-23. All Federal Title I, Title II, and Title IV revenue due to the school for those years have been received.

CHICO COUNTRY DAY CHARTER SCHOOL
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023 - 006 / 62000

LOCAL CONTROL AND ACCOUNTABILITY PLAN (LCAP)

<u>Criteria:</u>	In accordance with Education Code Section 47606.5, on or before July 1, 2015, and each year thereafter, a charter school shall update the goals and annual actions to achieve those goals identified in the charter pursuant to subparagraph (A) of paragraph (5) of subdivision (b) of Section 47605 or subparagraph (A) of paragraph (5) of subdivision (b) of Section 47605.6. The local control and accountability plan and annual update to the local control and accountability plan shall be developed using the template adopted pursuant to Section 52064.
<u>Condition:</u>	The estimated actual expenditures column in the 2021-22 Annual Update Table in the Charter School's 2022-23 LCAP was not completed and showed no estimated expenditures for the goals listed.
<u>Questioned Costs:</u>	None. This noncompliance has no fiscal impact.
<u>Context:</u>	The 2022-23 LCAP.
<u>Effect:</u>	The Charter School did not follow the instructions for completing the LCAP which required the reporting of estimated actual annual expenditures.
<u>Cause:</u>	The Charter School has not established appropriate procedures to ensure they meet all of the requirements of Education Code Section 47606.5.
<u>Recommendation:</u>	The Charter School should establish appropriate procedures to ensure that future LCAPs follow all of the requirement of Education Code Section 47606.5.
<u>Charter Response:</u>	Chico Country Day School accepts this finding and will establish appropriate procedures to ensure that future LCAPs follow all of the requirements of Education Code Section 47606.5.

CHICO COUNTRY DAY CHARTER SCHOOL
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STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>FINANCIAL STATEMENTS</u>		
2022 - 001 / 30000		
<u>FINANCIAL REPORTING - UNAUDITED ACTUALS</u>		
The Charter School should develop a comprehensive financial reporting checklist, which can be used by staff during the year-end closing process, to prevent material misstatements from occurring in the future.	Not Implemented	Comment Repeated (See 2023-001)
2022 - 002 / 30000		
<u>CONFLICT OF INTEREST FORMS</u>		
Board members should be reminded of the requirement to complete and file Form 700 prior to April 1 of each year. The Board members who do not have a recent form on file should be instructed to complete and file Form 700 as soon as possible.	Implemented	
2022 - 003 / 30000		
<u>DAYCARE</u>		
Daycare fee discounts for employees should be approved by the Board of Directors on an annual basis.	Implemented	

CHICO COUNTRY DAY CHARTER SCHOOL
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STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
2022 - 004 / 10000		
<u>ATTENDANCE</u>		
The Charter School should establish appropriate procedures to ensure that the required attendance reports are prepared in accordance with all State requirements. In addition, the Charter School should revise the Annual attendance report to reflect the audited ADA.	Implemented	
2022 - 005 / 10000		
<u>ATTENDANCE - DIGITAL TEACHER SIGNATURES</u>		
The Charter School should enforce procedures that require attendance log reports to be signed annually by the teachers who recorded the attendance.	Implemented	
2022 - 006 / 40000		
<u>EXPANDED LEARNING OPPORTUNITIES GRANT</u>		
The Charter School should subscribe to updates from the California Department of Education, attend meetings and training provided by CDE and other oversight agencies, and establish a channel to track changes and updates to laws and regulations, to ensure information regarding compliance areas are obtained timely and are fully understood.	Implemented	

CHICO COUNTRY DAY CHARTER SCHOOL
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STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
2022 - 007 / 40000		
CALIFORNIA CLEAN ENERGY JOBS ACT		
<hr/>		
The Charter School should contact the California Department of Education to determine whether any further action is required.	Implemented	