
**MANZANITA CHARTER MIDDLE SCHOOL
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020**

HARSHWAL & COMPANY LLP
Certified Public Accountants
7677 Oakport Street, Suite 460
Oakland, CA 94621
(510) 452-5051

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Manzanita Charter Middle School
Richmond, California

We have audited the accompanying financial statements of Manzanita Charter Middle School (the Charter School) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and as required by the *2019-20 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 15, 2020, on our consideration of the Manzanita Charter Middle 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 Manzanita Charter Middle School's internal control over financial reporting and compliance.

Harshwal & Company LLP

Oakland, California
December 15, 2020

FINANCIAL STATEMENTS

MANZANITA CHARTER MIDDLE SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current assets:

Cash	\$ 311,624
Accounts receivable	520,676
Prepaid expenses and other current assets	<u>5,826</u>
Total current assets	<u>838,126</u>

Noncurrent assets:

Property and equipment, net	137,514
Deposits	<u>8,000</u>
Total noncurrent assets	<u>145,514</u>
Total assets	<u><u>\$ 983,640</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Account payable	\$ <u>287,436</u>
Total current liabilities	<u>287,436</u>

NET ASSETS

Without donor restrictions	<u>696,204</u>
Total net assets	<u>696,204</u>
Total liabilities and net assets	<u><u>\$ 983,640</u></u>

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

MANZANITA CHARTER MIDDLE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Revenue Limit Sources:			
State Apportionments	\$ 650,556	\$ -	\$ 650,556
Education Protection Account	144,860	-	144,860
In-lieu of property taxes	328,375	-	328,375
Federal revenue	-	91,731	91,731
State revenue	151,283	1,058	152,341
Local revenue	-	33,256	33,256
Other revenue	4,568	-	4,568
Net assets released from restriction	<u>232,448</u>	<u>(232,448)</u>	<u>-</u>
Total revenues and support	<u>1,512,090</u>	<u>(106,403)</u>	<u>1,405,687</u>
EXPENSES:			
Program Services:			
Education	1,088,993	-	1,088,993
Supporting services:			
Management and general	<u>371,758</u>	<u>-</u>	<u>371,758</u>
Total expenses	<u>1,460,751</u>	<u>-</u>	<u>1,460,751</u>
Change in net assets	51,339	(106,403)	(55,064)
Net assets, beginning of year	<u>644,865</u>	<u>106,403</u>	<u>751,268</u>
Net assets, end of year	<u>\$ 696,204</u>	<u>\$ -</u>	<u>\$ 696,204</u>

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

MANZANITA CHARTER MIDDLE SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:

Change in net assets	\$ (55,064)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	14,501
(Increase) decrease in operating assets:	
Accounts Receivable	(350,831)
Prepaid expenses	11,604
Increase in operating liabilities:	
Accounts payable	<u>242,072</u>
Net cash used in operating activities	<u>(137,718)</u>

Cash flows from investing activities:

Purchase of property and Equipment	<u>(62,027)</u>
Net cash flows used in investing activities	<u>(62,027)</u>
Net decrease in cash and cash equivalents	(199,745)
Cash and cash equivalents, beginning of year	<u>511,369</u>
Cash and cash equivalents, end of year	<u><u>\$ 311,624</u></u>

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

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - ORGANIZATION AND MISSION

Manzanita Charter Middle School (the Charter School) is a nonprofit public benefit corporation and was approved as a public charter school by the State of California on September 6, 2000, and currently serves approximately 119 students in grades 6 through 8.

The Charter School's renewal petition was denied by West Contra Contra Unified School District at their board meeting on April 22, 2020. Manzanita appealed to the Contra Costa County Office of Education (County). Manzanita's charter renewal petition was approved at the County Board meeting on June 17, 2020, for five years from July 1, 2020 to June 30, 2025.

The Charter School will be under the County oversight in the 2020-2021 school year and every year through June 30, 2025.

The Mission of the Charter School is: "Through active family involvement in self-governed public education, Manzanita Charter Middle School (a cooperative charter), seeks to create a safe, nurturing, and diverse educational community for our children. Our vision is to prepare students academically and socially to be well-rounded individuals who contribute positively to themselves, their families, the community, and our world."

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The financial statements of Charter School have been presented in accordance with U.S. generally accepted accounting principles ("US GAAP"). 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 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.

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 Non-Profit Organization 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.

B. Accounting Method - 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, under which revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred.

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measure of Operation

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Charter School's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Income Taxes

The Charter School is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Charter School uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt Charter School 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 for three years and four years, respectively, after they are filed.

F. Cash and Cash Equivalents

Cash is from time to time variously composed of cash on hand and in banks. The Charter School considers all highly liquid instruments with maturities of three months or less at time of acquisition to be cash equivalents. As of June 30, 2020, there were no cash equivalents.

G. Property and Equipment

Property and Equipment are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 3 to 20 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets, sold or retired, and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred.

H. Revenue Sources and Recognition

The Charter School receives federal, 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.

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and reimbursements for meals served based on the number of meals served.

The Charter School recognizes federal revenue to the extent that eligible expenditures have been incurred. Revenue that is restricted is recorded as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restrictions.

I. Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

J. New Accounting Pronouncements

Financial Accounting Standards Board has issued various Accounting Standards updates as Amendments of the FASB Accounting Standards Codification. The summary of the updates is set out below:

Adopted

During 2019, the Charter School adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to other guidance. Changes resulting from the adoption of ASU 2018-08 were made on a modified prospective basis during the year of adoption. For the fiscal year ending June 30, 2020, there was no material effect on total net assets or changes in net assets.

Not yet adopted

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

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which provides new guidance on the recognition of revenue and states that an entity should recognize revenue when control of the goods or services transfers to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. ASU 2014-09 also requires significantly expanded disclosure regarding qualitative and quantitative information about the nature, timing and uncertainty of revenue and cash flow arising from contracts with customers.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2020, the FASB issued ASU 2020-05 to defer the effective date of the new standard for not-for-profit organizations to fiscal years beginning after December 15, 2019. The standard permits the use of either applying retrospectively the amendment to each prior reporting period presented or retrospectively with the cumulative effect of initially applying at the date of initial application. The Charter School is currently evaluating the impact of adopting the new standard in the financial statements.

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

NOTE 3 - CASH

Cash in banks at June 30, 2020, consisted of the following:

Deposits:

Cash in Bank	\$ 311,624
Total	<u>\$ 311,624</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Charter School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Charter School has not experienced any losses in such accounts. At June 30, 2020, the Charter School had \$117,122 of uninsured funds.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020, consisted of the following:

West Contra Costa Unified School District (WCCUSD)	\$ 328,375
Contra Costa Office of Education	<u>192,301</u>
Total accounts receivable	<u>\$ 520,676</u>

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

Equipment	\$ 84,974
Computers	9,713
Lease Hold Improvements	<u>103,682</u>
Total property and equipment, at cost	198,369
Less: accumulated depreciation	<u>(60,855)</u>
Total property and equipment, Net	<u>\$ 137,514</u>

During the fiscal year ended June 30, 2020, total additions to property and equipment and depreciation expense were \$62,027 and \$14,501 respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include funds received but not expended and consist of the following as of June 30, 2020:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Released from restriction</u>	<u>Balance June 30, 2020</u>
Proposition 39- California Clean Energy Jobs Act Funds	\$ 106,403	\$ -	\$ 106,403	\$ -
Federal Revenue	-	91,730	91,730	-
Other State	-	1,058	1,058	-
Other Local	<u>-</u>	<u>33,257</u>	<u>33,257</u>	<u>-</u>
Total	<u>\$ 106,403</u>	<u>\$ 126,045</u>	<u>\$ 232,448</u>	<u>\$ -</u>

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic 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 details of each plan are as follows:

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.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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, 2020, 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. 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 percent 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 STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>STRP Defined Benefit Program Contributions</u>	
	On or before December 31, 2012	On or after 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 percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	18.13%	18.13%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, Charter School 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. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the Charter School's total contributions were \$116,700.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) 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, 2017, 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, 2020, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	55	62
Retirement age	2.0%	2.0%
Monthly benefits as a percentage of eligible compensation	7%	7%
Required employee contribution rate	19.721%	19.721%
Required employer contribution rate		

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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, 2020, are presented above and the total Charter School contributions were \$25,733.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Charter School. This payment consist of State General Fund contributions to CalSTRS amounts of \$38,309. Under accounting principles generally accepted in the United States of America, this amount is to be reported as revenue and expenditure. Accordingly, this amount has been recorded in these financial statements.

NOTE 8 - OPERATING LEASE

The Charter School leased a building under lease arrangements that will expire in June 30, 2025. Future lease payments are as following:

<u>Year ending June 30,</u>	<u>Lease Payments</u>
2021	\$ 108,000
2022	108,000
2023	114,000
2024	114,000
Thereafter	<u>114,000</u>
Total	<u>\$ 558,000</u>

The Charter School receives no sublease rental revenues nor pays any contingent rentals associated with this lease. For the fiscal year ended June 30, 2020, operating lease expense was \$108,000.

NOTE 9 - LIQUIDITY AND AVAILABILITY

Manzanita Charter Middle School monitors liquidity required to meet its operating needs and other contracted commitments. Manzanita has cash and accounts receivable as sources of liquidity at its disposal.

For purposes of analyzing resources available to meet general expenditures over a 12 – month period, Manzanita considers all expenditures related to its ongoing activities and the pattern of income from Federal, State, and Local sources. The board of directors meets monthly to review all financial aspects of the organization.

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - LIQUIDITY AND AVAILABILITY (CONTINUED)

As of June 30, 2020, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$ 311,624
Accounts receivables	<u>520,676</u>
Total financial assets	<u>\$ 832,300</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

State Allowances, Awards, and Grants

The Charter School has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursement will not be material.

NOTE 11: FUNCTIONAL EXPENSES

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

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Education</u>	<u>Management and General</u>	<u>Total</u>
Certificated salaries	\$ 414,430	\$ 78,000	\$ 492,430
Classified salaries	56,977	30,381	87,358
Employee benefits	185,737	20,637	206,374
Books and supplies	67,325	7,480	74,805
Travel and conferences	-	2,047	2,047
Dues & memberships	-	1,240	1,240
Insurance	-	33,321	33,321
Operations and house keeping services	-	9,143	9,143
Rental, leases, repairs and non-capitalized improvements	123,401	27,554	150,955
Professional/consulting services and operating expenditures	241,123	139,685	380,808
Communications	-	7,769	7,769
Depreciation	<u>-</u>	<u>14,501</u>	<u>14,501</u>
Total expenses	<u>\$ 1,088,993</u>	<u>\$ 371,758</u>	<u>\$ 1,460,751</u>

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 - SUBSEQUENT EVENTS

The Charter School's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 15, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. In response to the pandemic the Charter School has adopted a robust distance learning program to continue delivering its educational program to students. In consideration of its complex and evolving nature, the Charter School cannot reasonably estimate the duration of the pandemic, which could have material adverse effect on the Charter School's financial position, results of operations and cash flows.

SUPPLEMENTARY INFORMATION

**MANZANITA CHARTER MIDDLE SCHOOL
ORGANIZATION
JUNE 30, 2020**

Manzanita Charter Middle School [#0333] is a Grade 6 through Grade 8 Charter School and was granted its charter renewal by the West Contra Costa Unified School District in 2015, pursuant to the terms of the Charter School Act of 1992, as amended.

The Board of Directors for the fiscal year ended June 30, 2020, was comprised of the following members:

<u>Name</u>	<u>Office</u>	<u>Term</u>	<u>Term Expiration</u>
Amy Bingham	President	1 Year	June 30, 2020
Karin Romero	Secretary	1 Year	June 30, 2020
San Juana Villabobos	Fiscal Chair	1 Year	June 30, 2020
Titania Buchholdt	Board Member	1 Year	June 30, 2020
Arlene Carrillo	Board Member	1 Year	June 30, 2020
Guadalupe Ramirez	Board Member	1 Year	June 30, 2020

See accompanying notes to supplementary information

**MANZANITA CHARTER MIDDLE SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Second Period Report</u>	<u>Annual Report</u>
Grade 6	25.64	25.64
Grade 7-8	<u>87.73</u>	<u>87.73</u>
Total	<u><u>113.37</u></u>	<u><u>113.37</u></u>

The Charter School is 100% classroom-based and does not generate any ADA from a full-time Independent Study program.

**MANZANITA CHARTER MIDDLE SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Grade Level</u>	<u>1986-87 Minutes Requirements</u>	<u>2019-2020 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 6	54,000	56,235	177	In Compliance
Grade 7	54,000	56,235	177	In Compliance
Grade 8	54,000	56,235	177	In Compliance

See accompanying notes to supplementary information

**MANZANITA CHARTER MIDDLE SCHOOL
MEASURE G PARCEL TAX REVENUE AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 29, 2017</u>
Revenues				
Parcel Tax Revenue	\$ <u>33,256</u>	\$ <u>25,303</u>	\$ <u>17,676</u>	\$ <u>14,566</u>
Total Revenue	<u>33,256</u>	<u>25,303</u>	<u>17,676</u>	<u>14,566</u>
Expenses				
Provide classroom computers and Technology				
Classified Salaries	33,256	25,303	17,676	8,740
Employee Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,826</u>
Total Expenses	<u>33,256</u>	<u>25,303</u>	<u>17,676</u>	<u>14,566</u>
Excess of Revenue over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to supplementary information

**MANZANITA CHARTER MIDDLE SCHOOL
RECONCILIATION OF CHARTER SCHOOL UNAUDITED ACTUALS FINANCIAL
REPORT - ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

See accompanying notes to supplementary information

MANZANITA CHARTER MIDDLE SCHOOL
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

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 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, if applicable.

Charter schools must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 47612.5.

Measure G Parcel Tax Revenue and Expenses

The Measure "G" was authorized by an election of the registered voters of West Contra Costa Unified School District (WCCUSD). Measure "G" was approved to protect core academics - reading, writing, math and science, attract and retain qualified teachers, prepare students for college and the workforce, provide smaller class sizes for the youngest children, provide classroom computers and technology, improve safety on and around campuses, support after-school programs to keep kids away from gangs and drugs, support science laboratories, materials and activities, and support libraries for WCCUSD and its sponsored charter schools by collecting taxes of 7.2 cents per square foot of total building area on each parcel of taxable real property with the District or a tax of \$7.00 per unimproved parcel of taxable real property. The Charter School spent the funds on computer and technology salaries in 2019-2020.

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.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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
Manzanita Charter Middle School
Richmond, 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 Manzanita Charter Middle School (the Charter School), which comprise statement of financial position as of June 30, 2020, 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 15, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance 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.

Harshwal & Company LLP

Oakland, California
December 15, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN
ACCORDANCE WITH 2019-20 GUIDE FOR ANNUAL
AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND
STATE COMPLIANCE REPORTING**

To the Board of Directors
Manzanita Charter Middle School
Richmond, California

Report on Compliance for Each State Program

We have audited Manzanita Charter Middle School's compliance with the types of compliance requirements as identified in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of Manzanita Charter Middle School's state programs for the fiscal year ended June 30, 2020. Manzanita Charter Middle School's state programs are identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Manzanita Charter Middle School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Manzanita Charter Middle School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Manzanita Charter Middle School compliance. In connection with the audit referred to above, we selected transactions and records to determine the Charter School's compliance with the state laws and regulations applicable to the following items:

Opinion

In our opinion, Manzanita Charter Middle School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2020.

Procedures Performed

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

<u>Description</u>	<u>Procedures Performed</u>
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
California Clean Energy Jobs Act	Yes
After 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

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.

Opinion

In our opinion, Manzanita Charter Middle School complied, in all material respects, with the applicable compliance requirements referred to above that could have a direct and material effect on each of its state programs for the year ended June 30, 2020.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Harshwal & Company LLP

Oakland, California
December 15, 2020

**MANZANITA CHARTER MIDDLE SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

State Awards

Internal control over state programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None Reported
Type of auditor's report issued on compliance for state programs:	Unmodified

**MANZANITA CHARTER MIDDLE SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings related to the financial statements.

**MANZANITA CHARTER MIDDLE SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION III - STATE AWARD FINDINGS

There are no findings related to the state award.

**MANZANITA CHARTER MIDDLE SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

The Charter School had no finding noted in prior year that require a status.