

MANZANITA CHARTER MIDDLE SCHOOL
Charter No. 0333

Financial Statements
and
Independent Auditor's Report

June 30, 2023



**MANZANITA CHARTER MIDDLE SCHOOL
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2(L) to the financial statements, Manzanita Charter Middle School changed its method of accounting for leases due to the adoption of Topic 842 as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manzanita Charter Middle 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 Manzanita Charter Middle School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel except for Measure G Parcel Tax Revenue and Expenses, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, 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.

Harshmal & Company LLP

Oakland, California
December 13, 2023

FINANCIAL STATEMENTS

**MANZANITA CHARTER MIDDLE SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS

Current assets:

Cash	\$	509,567
Investments in certificates of deposits		440,000
Accounts receivable		215,422
Prepaid expenses and other current assets		<u>90,719</u>
Total current assets		<u>1,255,708</u>

Noncurrent assets:

Right of use asset – operating lease, net		217,894
Property and equipment, net		104,588
Deposits		<u>8,000</u>
Total noncurrent assets		<u>330,482</u>

Total assets	\$	<u><u>1,586,190</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	73,171
Lease liability - operating lease, current portion		<u>109,368</u>
Total current liabilities		182,539

Lease liability - operating lease, net of current portion		<u>112,526</u>
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Total liabilities		295,065
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NET ASSETS

Without donor restrictions		<u>1,291,125</u>
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Total liabilities and net assets	\$	<u><u>1,586,190</u></u>
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The accompanying notes are an integral part of the financial statements.

**MANZANITA CHARTER MIDDLE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Local Control Funding Formula (LCFF) sources			
State apportionments	\$ 552,958	\$ -	\$ 552,958
Education protection account	56,125	-	56,125
In-lieu of property taxes	239,040	-	239,040
Federal revenue	-	282,069	282,069
Other state revenue	728,532	289,082	1,017,614
Local revenue	1,047	23,341	24,388
Net assets released from restriction	<u>594,492</u>	<u>(594,492)</u>	<u>-</u>
Total revenues and support	<u>2,172,194</u>	<u>-</u>	<u>2,172,194</u>
EXPENSES:			
Program Services:			
Education	1,182,874	-	1,182,874
Supporting services:			
Management and general	483,993	-	483,993
Fundraising	<u>8,358</u>	<u>-</u>	<u>8,358</u>
Total expenses	<u>1,675,225</u>	<u>-</u>	<u>1,675,225</u>
Change in net assets	496,969	-	496,969
Net assets, beginning of year	<u>794,156</u>	<u>-</u>	<u>794,156</u>
Net assets, end of year	<u>\$ 1,291,125</u>	<u>\$ -</u>	<u>\$ 1,291,125</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, 2023**

Cash flows from operating activities:

Change in net assets	\$ 496,969
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,749
Net change in operating right-of-use assets and lease liabilities	4,000
(Increase) decrease in operating assets:	
Accounts Receivable	61,959
Prepaid expenses	(61,332)
Increase in operating liabilities:	
Accounts payable	<u>(22,553)</u>
Net cash provided by operating activities	<u>490,792</u>

Cash flows from investing activities:

Investments in certificates of deposits	<u>(440,000)</u>
Net cash flows used in investing activities	<u>(440,000)</u>
Net increase in cash and cash equivalents	50,792
Cash and cash equivalents, beginning of year	<u>458,775</u>
Cash and cash equivalents, end of year	<u>\$ 509,567</u>

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

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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 80 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. The Charter School appealed to the Contra Costa County Office of Education (County). The Charter School's renewal petition was approved at the County Board meeting on June 17, 2020, for five years from July 1, 2020 to June 30, 2025. On February 10, 2021, the County extended the renewal for an additional two years to June 30, 2027.

Currently, the Charter School is under the county's oversight 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

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. The Charter School does not have any net assets with donor restrictions as of June 30, 2023.

B. Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) 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.

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

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, there were no cash equivalents.

G. Investments in Certificate of Deposits

Certificates of deposit held for investment that are not debt securities are considered investments, and are measured at cost rather than at fair value. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments.

Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy. Investments in certificates of deposits which are accounted for on the cost basis of at June 30, 2023, was \$440,000, which are not subject to ASC 820.

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

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

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

MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

I. 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.

J. Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Charter School are derived principally from state and federal sources. The Charter School receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Government grants and contracts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Charter School would otherwise purchase the services.

Contributions with donor restrictions received are recorded as increases in net assets with donor assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

K. 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.

L. Recent Accounting Pronouncement Adopted

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

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upon adoption, the Charter School recognized an operating ROU asset and a lease liability in the amount of \$322,270, using the modified retrospective alternative method. No cumulative-effect adjustments were required. Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities on the Statements of Financial Position, with no cumulative impact to net assets.

NOTE 3 - CONCENTRATION OF CREDIT RISK

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. In addition, the Charter School has certificates of deposit at two local banks and are 100% insured by the FDIC. The Charter School has not experienced any losses in such accounts. At June 30, 2023, the Charter School had \$379,728 of uninsured funds.

NOTE 4 - ACCOUNTS RECEIVABLE

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

State sources	\$ 133,687
Federal sources	77,676
Lottery	<u>4,059</u>
Total accounts receivable	<u>\$ 215,422</u>

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2023, consisted of the following:

Equipment	\$ 84,974
Computers	14,713
Lease Hold Improvements	<u>103,683</u>
Total property and equipment, at cost	203,370
Less: accumulated depreciation	<u>(98,782)</u>
Total property and equipment, Net	<u>\$ 104,588</u>

NOTE 6: LEASES

In July 2018, the Charter School entered into a lease agreement with St. Luke's United Methodist Church for use of space located at 3200 Barrett Avenue, Richmond, California. The facility is utilized for instructional purpose. The lease agreement covers a term beginning July 1, 2022 through June 30, 2025. During the fiscal year ended June 30, 2023, the Charter School paid \$108,000 in lease payments and recorded lease expense of \$112,000 under this operating lease. At June 30, 2023, the right-of-use asset was \$217,894 and the operating lease liability was \$221,894. The lease agreement does not include the option to extend the term for an additional period.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6: LEASES (CONTINUED)

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

<u>Year ending June 30,</u>	
2024	\$ 114,000
2025	<u>114,000</u>
Total undiscounted minimum lease payments	228,000
Less discount to present value	<u>(6,106)</u>
Total operating lease liability	<u>\$ 221,894</u>
Current portion	<u>\$ 109,368</u>
Noncurrent portion	<u>\$ 112,526</u>

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

Lease cost - operating leases	\$112,000
Other information	
Cash paid for amounts included in measurement of lease liabilities: Operating cash flows for operating leases	\$108,000
Weighted average remaining lease term (years):	2
Weighted average discount rate:	2.85%

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.

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, 2022, 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>.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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, 2023, 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	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

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, 2023, are presented above and the Charter School's total contributions were \$136,917.

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.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2022, 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 after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
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
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

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 and the total Charter School contributions were \$44,788.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Charter School. This payment consists of State General Fund contributions to CalSTRS amounts of \$65,968. 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 - LIQUIDITY AND AVAILABILITY

The Charter School monitors liquidity required to meet its operating needs and other contracted commitments. The Charter School 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, the Charter School 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.

As of June 30, 2023, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$ 509,567
Investments in certificates of deposits	440,000
Accounts receivables	<u>215,422</u>
Total financial assets	<u>\$ 1,164,989</u>

NOTE 9 - 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.

**MANZANITA CHARTER MIDDLE SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10: FUNCTIONAL EXPENSES

For the years ended June 30, 2023, 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>		
Certificated salaries	\$ 568,846	\$ 85,000	\$ -	\$ 653,846
Classified salaries	89,403	89,403	-	178,806
Employee benefits	198,765	85,185	-	283,950
Books and supplies	72,759	31,183	-	103,942
Travel and conferences	-	7,353	-	7,353
Utilities	-	18,270	-	18,270
Insurance	-	35,944	-	35,944
Rental, leases, repairs and non-capitalized improvements	110,049	45,450	-	155,499
Professional/consulting services	143,052	61,308	8,358	212,718
Communications	-	13,148	-	13,148
Depreciation	-	11,749	-	11,749
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,182,874</u>	<u>\$ 483,993</u>	<u>\$ 8,358</u>	<u>\$ 1,675,225</u>

NOTE 11 - 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 13, 2023, which is the date the financial statements were available to be issued. Management has determined there were no subsequent events or transactions that would have a material impact on the current year financial.

SUPPLEMENTARY INFORMATION

**MANZANITA CHARTER MIDDLE SCHOOL
ORGANIZATION
JUNE 30, 2023**

Manzanita Charter Middle School [Charter No. 0333] is a Grade 6 through Grade 8 Charter School. The Charter School's charter renewal petition was approved at the County Board meeting on June 17, 2020, for five years through June 30, 2025. On February 10, 2021, the County extended the renewal for an additional two years to June 30, 2027.

The Board of Directors for the fiscal year ended June 30, 2023, was comprised of the following members:

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires (1-Year Term)</u>
Margarita Vaca	President	June 30, 2023
Marisela Merz	Secretary	June 30, 2023
Tania Ramirez	Fiscal Chair	June 30, 2023
Dhirse Nungaray	Board Member	June 30, 2023
Porfirio Ramirez	Board Member	June 30, 2023
Noe Benitez	Board Member	June 30, 2023

ADMINISTRATION

Jim Trombley, Executive Director

Martin W. Coyne Jr., Director, Business Services

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

	<u>Second Period Report</u>	<u>Annual Report</u>
Grade 6	15.50	15.38
Grade 7-8	<u>54.66</u>	<u>54.19</u>
Total	<u><u>70.16</u></u>	<u><u>69.57</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, 2023**

Grade Level	Instructional Minutes		Total Days Offered	Status
	Requirement	Actual		
Grade 6	54,000	58,340	178	Complied
Grade 7	54,000	58,340	178	Complied
Grade 8	54,000	58,340	178	Complied

See accompanying notes to supplementary information

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues							
Parcel tax revenue	\$ <u>23,341</u>	\$ <u>20,458</u>	\$ <u>26,367</u>	\$ <u>33,256</u>	\$ <u>25,303</u>	\$ <u>17,676</u>	\$ <u>14,566</u>
Total Revenue	<u>23,341</u>	<u>20,458</u>	<u>26,367</u>	<u>33,256</u>	<u>25,303</u>	<u>17,676</u>	<u>14,566</u>
Expenses							
Provide classroom computers and technology							
Classified salaries	23,341	20,458	26,367	33,256	25,303	17,676	8,740
Employee benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,826</u>
Total expenses	<u>23,341</u>	<u>20,458</u>	<u>26,367</u>	<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>	<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, 2023**

June 30, 2023, net assets on the Financial Report Alternative Form (Charter School Unaudited Actuals)	\$ <u>1,295,125</u>
Adjustments:	
Decrease in total net assets:	
Lease expense related to ASC 842 implementation	<u>(4,000)</u>
June 30, 2023, net assets per audited financial statement	\$ <u><u>1,291,125</u></u>

See accompanying notes to supplementary information

**MANZANITA CHARTER MIDDLE SCHOOL
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

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 charter schools. This schedule provides information regarding the attendance of students.

Schedule of Instructional Time

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

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 salaries in 2022-23.

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, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manzanita Charter Middle School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harshmal & Company LLP

Oakland, California
December 13, 2023

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on Compliance

Opinion on State Compliance

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

In our opinion, Manzanita Charter Middle 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 Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Manzanita Charter Middle 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 Manzanita Charter Middle 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 Manzanita Charter Middle School's state programs.

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

<u>2022-23 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunization	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive	Not Applicable
Transitional Kindergarten	Not Applicable

Charter Schools

Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with compliance requirements as identified in the table below that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over 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 Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
December 13, 2023

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

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings related to the financial statements.

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, 2023**

There were no findings reported in prior year.