



**NEVADA CITY  
SCHOOL OF THE ARTS**

**CONSOLIDATED  
AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2023**

**A NONPROFIT PUBLIC BENEFIT CORPORATION  
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL**

Nevada City School of the Arts (Charter No. 0869)

**AND CONSOLIDATED WITH**

Raven Springs, LLC

**NEVADA CITY SCHOOL OF THE ARTS  
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JUNE 30, 2023**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Nevada City School of the Arts  
Nevada City, California

### **Report on the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Nevada City School of the Arts which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nevada City School of the Arts 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.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nevada City School of the Arts' ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

## **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Nevada City School of the Arts' 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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nevada City School of the Arts' 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 consolidated financial statements as a whole. The supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated 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 consolidated 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 January 31, 2024, on our consideration of Nevada City School of the Arts' 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 Nevada City School of the Arts'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 Nevada City School of the Arts' internal control over financial reporting and compliance.



San Diego, California  
January 31, 2024

**NEVADA CITY SCHOOL OF THE ARTS  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023**

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**ASSETS**

Current assets

Cash and cash equivalents	\$	1,108,128
Accounts receivable		1,429,550
Prepaid expenses		16,016
Total current assets		<u>2,553,694</u>

Noncurrent assets

Property and equipment		6,515,721
Less accumulated depreciation		<u>(1,958,547)</u>
Capital assets, net		<u>4,557,174</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>7,110,868</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$	211,941
Deferred revenue		382,908
Loans payable		<u>2,133,861</u>
Total liabilities		<u>2,728,710</u>

Net assets

Without donor restrictions		<u>4,382,158</u>
Total net assets		<u>4,382,158</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>7,110,868</u></b>

The notes to the consolidated financial statements are an integral part of this statement.

**NEVADA CITY SCHOOL OF THE ARTS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 2,338,800	\$ -	\$ 2,338,800
Federal revenues	1,045,497	-	1,045,497
Other state revenues	2,542,856	-	2,542,856
Total federal and state support and revenues	<u>5,927,153</u>	<u>-</u>	<u>5,927,153</u>
Local support and revenues			
Payments in lieu of property taxes	1,731,286	-	1,731,286
Grants and donations	75,396	-	75,396
Afterschool childcare fees	185,358	-	185,358
Rental income	251,327	-	251,327
Investment income, net	166	-	166
Other local revenues	211,935	-	211,935
Total local support and revenues	<u>2,455,468</u>	<u>-</u>	<u>2,455,468</u>
Donor restrictions satisfied	45,851	(45,851)	-
<b>Total Support and Revenues</b>	<u>8,428,472</u>	<u>(45,851)</u>	<u>8,382,621</u>
<b>EXPENSES</b>			
Program services	5,557,701	-	5,557,701
Management and general	2,816,530	-	2,816,530
<b>Total Expenses</b>	<u>8,374,231</u>	<u>-</u>	<u>8,374,231</u>
<b>CHANGE IN NET ASSETS</b>	54,241	(45,851)	8,390
<b>Net Assets - Beginning</b>	<u>4,327,917</u>	<u>45,851</u>	<u>4,373,768</u>
<b>Net Assets - Ending</b>	<u>\$ 4,382,158</u>	<u>\$ -</u>	<u>\$ 4,382,158</u>

The notes to the consolidated financial statements are an integral part of this statement.

**NEVADA CITY SCHOOL OF THE ARTS  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Eliminations	Total
<b>EXPENSES</b>				
Personnel expenses				
Certificated salaries	\$ 1,901,762	\$ 223,952	\$ -	\$ 2,125,714
Non-certificated salaries	943,411	872,678	-	1,816,089
Pension plan contributions	540,905	84,632	-	625,537
Payroll taxes	128,087	108,933	-	237,020
Other employee benefits	179,684	235,463	-	415,147
<b>Total personnel expenses</b>	<b>3,693,849</b>	<b>1,525,658</b>	<b>-</b>	<b>5,219,507</b>
Non-personnel expenses				
Books and supplies	482,488	123,371	-	605,859
Insurance	-	129,877	-	129,877
Facilities	100,001	1,204,006	(703,941)	600,066
Professional services	1,188,571	134,955	(165,099)	1,158,427
Interest expense	-	116,905	-	116,905
Depreciation	-	385,148	-	385,148
Fees to authorizing agency	42,112	-	-	42,112
Other operating expenses	50,680	65,650	-	116,330
<b>Total non-personnel expenses</b>	<b>1,863,852</b>	<b>2,159,912</b>	<b>(869,040)</b>	<b>3,154,724</b>
Eliminations	-	(869,040)	869,040	-
<b>Total Expenses</b>	<b>\$ 5,557,701</b>	<b>\$ 2,816,530</b>	<b>\$ -</b>	<b>\$ 8,374,231</b>

The notes to the consolidated financial statements are an integral part of this statement.



**NEVADA CITY SCHOOL OF THE ARTS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 8,390
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	385,148
(Increase) decrease in operating assets	
Accounts receivable	(422,404)
Prepaid expenses	52,362
Increase (decrease) in operating liabilities	
Accounts payable	81,178
Rental security deposits	(6,467)
Deferred revenue	230,052
<b>Net cash provided by (used in) operating activities</b>	<u>328,259</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of capital assets	<u>(220,136)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(220,136)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on loans payable	<u>(77,789)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(77,789)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	30,334
<b>Cash and cash equivalents - Beginning</b>	<u>1,077,794</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 1,108,128</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	<u>\$ 116,905</u>

The notes to the consolidated financial statements are an integral part of this statement.

**NEVADA CITY SCHOOL OF THE ARTS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Nevada City School of the Arts (the “Organization”) was formed as a nonprofit public benefit corporation on November 9, 2007 for the purpose of operating as a California public school located in Nevada County.

The Organization’s school, Nevada City School of the Arts (the “Charter”) was numbered by the State Board of Education in May 2007 as California Charter No. 0869. The mission of the Nevada City School of the Arts is to nurture and inspire academic excellence through the arts for children in transitional kindergarten through eighth grade. The Charter is authorized to operate as a charter school through the Nevada County Superintendent of Schools (the “authorizing agency”). In February 2017, the Nevada County Board of Education approved a charter petition renewal for a five-year term beginning July 1, 2017 and expiring on June 30, 2022. As a result of AB 130 and SB 114, the charter petition end date is extended to June 30, 2025. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

In April 2020, articles of incorporation were filed to establish a limited liability corporation under Raven Springs, LLC (the “LLC”) whereby the Organization is the sole statutory member of the LLC. As such, the LLC is deemed a “disregarded entity” and its financial information is consolidated with the Organization.

**B. Basis of Accounting**

The Organization’s policy is to prepare its consolidated financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

**C. Principals of Consolidation**

The accompanying financial statements include the accounts of Nevada City School of the Arts and Raven Springs, LLC, which comprise the Organization as a whole. Intercompany accounts and transactions have been eliminated in consolidation.

**D. Financial Statement Presentation**

The consolidated 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 July 1, 2018. Under the Guide, Nevada City School of the Arts is required to report information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net assets with donor restrictions* – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

**NEVADA CITY SCHOOL OF THE ARTS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Financial Statement Presentation (continued)**

With respect to the Charter, the Organization also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Organization's financial statement presentation.

**E. 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, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

**F. Contributions**

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

**G. In Lieu of Property Taxes Revenue**

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the local school district. In lieu of distributing funds out of property tax proceeds, the local school district makes monthly payments to Nevada City School of the Arts. Revenues are recognized by the Organization when earned.

**H. Functional Expenses**

The costs of providing services have been summarized on a functional basis in the consolidated statement of activities and detailed in the consolidated statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

**NEVADA CITY SCHOOL OF THE ARTS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Cash and Cash Equivalents**

Nevada City School of the Arts considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

**J. Investments**

The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

**K. Receivables and Allowances**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization established or adjusts the allowance for specific revenue sources as a whole. At June 30, 2023, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

**L. Capital Assets**

Nevada City School of the Arts has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

**M. Deferred Revenue**

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

**N. Income Taxes**

Nevada City School of the Arts is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Nevada City School of the Arts, the Charter, is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. Raven Springs, LLC, is exempt from state franchise or income tax under Section 23701(h) of the California Revenue and Taxation Code. As a school, the Organization is not required to register with the California Attorney General as a charity.

The Organization's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

**NEVADA CITY SCHOOL OF THE ARTS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued  
JUNE 30, 2023**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Fair Value Measurements**

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described on the following page. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2      Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**P. Change in Accounting Principle**

**ASC 842 Leases**

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee’s right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Organization has determined the impact and noted no significant change to the consolidated financial statements as a result of this accounting principle. The Organization has determined the impact for the Charter and has reflected the significant change from this accounting principle within its consolidating financial statements for the 2022-23 fiscal year. Refer to Note 13 for additional information regarding the interagency transactions.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents, as of June 30, 2023, consists of the following:

	Nevada City School of the Arts	Raven Springs, LLC	Consolidated Total
Cash in banks, non-interest bearing	\$ 666,986	\$ 440,227	\$ 1,107,213
Cash on hand or awaiting deposit	915	-	915
<b>Total Cash and Cash Equivalents</b>	<b>\$ 667,901</b>	<b>\$ 440,227</b>	<b>\$ 1,108,128</b>

**NEVADA CITY SCHOOL OF THE ARTS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, an organization’s deposits may not be returned to it. The Organization does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2023, \$430,089 of the Organization’s bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one bank.

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	Nevada City School of the Arts	Raven Springs, LLC	Consolidated Total
Local control funding sources, state aid	\$ 282,892	\$ -	\$ 282,892
Federal sources	167,821	-	167,821
Other state sources	757,150	-	757,150
In lieu property tax payments	217,055	-	217,055
Other local sources	3	4,629	4,632
<b>Total Accounts Receivable</b>	<b>\$ 1,424,921</b>	<b>\$ 4,629</b>	<b>\$ 1,429,550</b>

**NOTE 4 – CAPITAL ASSETS**

A summary of activity related to capital assets, during the year ended June 30, 2023, consists of the following:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
<b>Nevada City School of the Arts</b>				
Property and equipment				
Land	\$ 104,265	\$ -	\$ -	\$ 104,265
Buildings	149,252	-	-	149,252
Total property and equipment	253,517	-	-	253,517
Less accumulated depreciation	(125,082)	(14,926)	-	(140,008)
<b>Capital Assets, net</b>	<b>\$ 128,435</b>	<b>\$ (14,926)</b>	<b>\$ -</b>	<b>\$ 113,509</b>
	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
<b>Raven Springs, LLC</b>				
Property and equipment				
Land	\$ 1,335,647	\$ -	\$ -	\$ 1,335,647
Buildings	4,265,186	622,219	-	4,887,405
Furniture and equipment	39,152	-	-	39,152
Construction in progress	402,083	-	402,083	-
Total property and equipment	6,042,068	622,219	402,083	6,262,204
Less accumulated depreciation	(1,448,317)	(370,222)	-	(1,818,539)
<b>Capital Assets, net</b>	<b>\$ 4,593,751</b>	<b>\$ 251,997</b>	<b>\$ 402,083</b>	<b>\$ 4,443,665</b>
<b>Consolidated Capital Assets, net</b>	<b>\$ 4,722,186</b>	<b>\$ 237,071</b>	<b>\$ 402,083</b>	<b>\$ 4,557,174</b>

**NEVADA CITY SCHOOL OF THE ARTS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable, as of June 30, 2023, consists of the following:

	Nevada City School of the Arts
Due to grantor government	\$ 84,565
Salaries and benefits	76,319
Due to authorizing agency	42,112
Vendor payables	8,945
<b>Total Accounts Payable</b>	<b>\$ 211,941</b>

**NOTE 6 – DEFERRED REVENUE**

Deferred revenue, as of June 30, 2023, consists of \$382,908 of state sources.

**NOTE 7 – NOTES PAYABLE**

A summary of activity related to loans payable, during the year ended June 30, 2023, consists of the following:

	Balance July 1, 2022	Draws	Payments	Balance June 30, 2023
<b>Nevada City School of the Arts</b>				
On-Bill financing loan	\$ 58,835	\$ -	\$ 7,510	\$ 51,325
<b>Loan Payable</b>	<b>\$ 58,835</b>	<b>\$ -</b>	<b>\$ 7,510</b>	<b>\$ 51,325</b>
	Balance July 1, 2022	Draws	Payments	Balance June 30, 2023
<b>Raven Springs, LLC</b>				
Promissory note	\$ 2,152,815	\$ -	\$ 70,279	\$ 2,082,536
<b>Loan Payable</b>	<b>\$ 2,152,815</b>	<b>\$ -</b>	<b>\$ 70,279</b>	<b>\$ 2,082,536</b>
<b>Consolidated Loans Payable</b>	<b>\$ 2,211,650</b>	<b>\$ -</b>	<b>\$ 77,789</b>	<b>\$ 2,133,861</b>

**On-Bill Financing Loan**

On January 5, 2021, the Organization entered into an on-bill financing agreement with Pacific Gas and Electric. Pacific Gas and Electric, a utility company, incurred the costs related to clean energy upgrades. The Organization will repay the loan over the course of nine years and three months through their utility bill. Repayment obligations for the on-bill financing loan are as follows:

Fiscal Year Ending June 30,	Payments
2024	\$ 7,511
2025	7,511
2026	7,511
2027	7,511
Thereafter	21,281
<b>Total</b>	<b>\$ 51,325</b>

**NEVADA CITY SCHOOL OF THE ARTS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued  
JUNE 30, 2023**

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**NOTE 7 – NOTES PAYABLE (continued)**

**Promissory Note**

On August 24, 2021, Raven Springs, LLC entered into a promissory note agreement with Tri Counties Bank. The interest rate on this loan is 4.75% for the first sixty payments. Thereafter, the interest rate is subject to change from time to time based on the five-year T-Bill. The loan matures on August 24, 2031 and is secured by real property located in Nevada City, California. Future minimum payments associated with the promissory note are as follows:

<u>Fiscal Year Ending June 30,</u>		
2024	\$	172,383
2025		172,383
2026		172,383
2027		172,383
Thereafter		<u>2,002,562</u>
Total payments		<u>2,692,094</u>
Less: Interest		<u>(609,558)</u>
<b>Total</b>	<b>\$</b>	<b><u>2,082,536</u></b>

**NOTE 8 – NET ASSETS**

At June 30, 2022, the Organization did not hold any net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2023, the Organization’s net assets without donor restrictions consists of the following:

Investment in capital assets	\$ 4,443,665
Capital asset loan payable	<u>(2,082,536)</u>
Net investment in capital assets	<u>2,361,129</u>
Board designations	
Reserve for economic uncertainty	353,132
Special education reserve	141,253
JPA contingency reserve	13,786
Total board designations	<u>508,171</u>
Undesignated	<u>1,512,858</u>
<b>Total Net Assets without Donor Restrictions</b>	<b>\$ 4,382,158</b>

**NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The table on the following page reflects the Organization’s financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. Nevada City School of the Arts utilized a line of credit which can be drawn upon to ensure financial assets are available as general expenditures and other obligations become due.



**NEVADA CITY SCHOOL OF THE ARTS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

Financial Assets	
Cash and cash equivalents	\$ 1,108,128
Accounts receivable	1,429,550
Prepaid expenses	16,016
Total Financial Assets, excluding noncurrent	<u>\$ 2,553,694</u>
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	(382,908)
Board designations	
Reserve for economic uncertainty	(353,132)
Special education reserve	(141,253)
JPA contingency reserve	<u>(13,786)</u>
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<u><b>\$ 1,662,615</b></u>

**NOTE 10 – EMPLOYEE RETIREMENT PLANS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election for its certificated personnel. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Charter also offers all employees an alternative plan who may not qualify for CalSTRS.

**California State Teachers’ Retirement System (CalSTRS)**

**Plan Description**

Nevada City School of the Arts contributes to the California State Teachers’ Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

**Funding Policy**

Active plan members are required to contribute 10.25% or 10.205% of their 2022-23 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2022-23 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2022-23	\$ 408,612	100%
2021-22	\$ 341,653	100%
2020-21	\$ 393,497	100%

**NEVADA CITY SCHOOL OF THE ARTS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued  
JUNE 30, 2023**

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**NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)**

**California State Teachers' Retirement System (CalSTRS) (continued)**

**On-Behalf Payments**

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Nevada City School of the Arts is estimated at \$195,726. The on-behalf payment amount is computed as the proportionate share of total 2021-22 State on-behalf contributions.

**Alternative Plan**

As established by federal law, all public sector employees who are not members of their employer's existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Charter offers both social security and a 403(b) plan. All employees are eligible to participate in the plans. A participant of the 403(b) plan may make an election to defer compensation and have it contributed to this plan. Total employer contributions made to the plan during the fiscal year ended June 30, 2023 was \$21,199.

**NOTE 11 – DONATED MATERIALS AND SERVICES**

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Nevada City School of the Arts in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Organization's financial statements because they do not meet the criteria required by generally accepted accounting principles. Additionally, the Organization did not receive any donated items during the year ended June 30, 2023.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Charter School Authorization**

As mentioned in Note 1A, Nevada City School of the Arts is approved to operate as a public charter school through authorization by the Nevada County Superintendent of Schools. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the term expiration date to the charter petition was extended to June 30, 2024. Refer to Note 14 regarding an additional one year extension.

The Charter makes payments to the authorizing agency, Nevada County Superintendent of Schools, to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees to the authorizing agency for oversight amounted to \$42,112 for the fiscal year ending June 30, 2023.

**NEVADA CITY SCHOOL OF THE ARTS  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued  
 JUNE 30, 2023**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)**

**Governmental Funds**

Nevada City School of the Arts has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Additionally, management has considered the Organization’s potential need for a Federal Single Audit; however, noted that it does not meet the required threshold for federal expenditures. A reconciliation of federal revenues to expenditures is noted below:

	<u>AL Number</u>	<u>Amount</u>
Total Federal Revenues reported in the Statement of Activities		\$ 1,045,497
IRS: Employee Retention Tax Credit	N/A	<u>(491,020)</u>
Total Federal Expenditures		<u>\$ 554,477</u>

**Employee Retention Credit**

Management has deemed that the Organization is eligible for the Employee Retention Tax Credit (ERTC) under the CARES Act. The ERTC is a refundable tax credit for certain employment taxes for eligible employers meeting certain criteria. The credit is claimed either by filing the original or adjusted employee tax return(s) with the Internal Revenue Service. The ERTC is a government grant accounted for as a conditional contribution under FASB revenue recognition standards. The Charter has recorded a total of \$491,020 as federal revenue during the year ended June 30, 2023 related to ERC funds. The program is not subject to Federal Single Audit; however, could be selected for examination by the IRS.

**Multiemployer Defined Benefit Plan Participation**

Under current law on multiemployer defined benefit plans, the Organization’s voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Organization’s proportionate share of the multiemployer plan’s unfunded vested liabilities for the Charter. CalSTRS has estimated that the Charter’s share of withdrawal liability is approximately \$2,436,069 as of June 30, 2022. The Organization does not currently intend to withdraw the Charter from CalSTRS. Refer to Note 10 for additional information on employee retirement plans.

**Pending or Threatened Litigation**

The Organization is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Organization as of June 30, 2023.

**NEVADA CITY SCHOOL OF THE ARTS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued  
JUNE 30, 2023**

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**NOTE 13 – RELATED PARTY TRANSACTIONS**

**Interagency Transactions**

As mentioned in Note 1A, Nevada City School of the Arts and Raven Springs LLC are considered financially interrelated under generally accepted accounting principles because of the statutory relationship. As such, interagency transactions and balances are eliminated in the consolidated financial statements of the Organization to better reflect the true activities of the corporation. Transactions during the fiscal year that were excluded and shown as eliminations on the consolidating statement of financial position within the supplementary information include:

- Lease payments recorded as a lease expense to the Charter and rental income to the LLC.
- Professional service payments recorded as local income to the Charter and a supporting service expense to the LLC.
- Right-of-use asset and operating lease liability recorded for the Charter related to the lease agreement held with the LLC.

**NOTE 14 – SUBSEQUENT EVENTS**

Nevada City School of the Arts has evaluated subsequent events for the period from June 30, 2023 through January 31, 2024, the date the financial statements were available to be issued.

In fall of 2024, the Organization received additional ERTC revenue of \$822,991.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add “all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year.” As a result, the charter petition end date is extended to June 30, 2025.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

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## **SUPPLEMENTARY INFORMATION**

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**NEVADA CITY SCHOOL OF THE ARTS  
LEA ORGANIZATION STRUCTURE  
JUNE 30, 2023**

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Nevada City School of the Arts, located in Nevada County, was formed as a nonprofit public benefit corporation on November 9, 2007. The charter school operated by the nonprofit, Nevada City School of the Arts, was numbered by the State Board of Education in May 2007 as Charter No. 0869. The Charter is authorized to operate as a charter school through the Nevada County Superintendent of Schools. Classes initially began in August 2007. During 2022-23, the Charter served approximately 431 students in grades TK to 8.

**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
LeeAnne Haglund	Board Chairman	June 30, 2023
Lauren Hesterman	Vice Chairman	June 30, 2023
Meshawn Simmons	Treasurer	June 30, 2023
Andrew Todd	Secretary	June 30, 2023
Trisha Zakon	Board Member	June 30, 2024
Laura LeBleu	Board Member	June 30, 2023
Qayyuma Didomenico	Board Member	June 30, 2023
Meghan Archer	Board Member	June 30, 2023
Abby Oas	Board Member	June 30, 2024

**ADMINISTRATION**

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Holly Pettitt  
*School Director*

Melissa Brokenshire  
*Business Manager*

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023**

	Nevada City School of the Arts Charter No. 0869	Raven Springs, LLC	Eliminations	Consolidated Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 667,901	\$ 440,227	\$ -	\$ 1,108,128
Investments	3,442,286	-	(3,442,286)	-
Accounts receivable	1,424,921	4,629	-	1,429,550
Due from related entity	24,801	-	(24,801)	-
Prepaid expenses	16,016	-	-	16,016
Total current assets	<u>5,575,925</u>	<u>444,856</u>	<u>(3,467,087)</u>	<u>2,553,694</u>
Noncurrent assets				
Right-of-use asset	623,266	-	(623,266)	-
Deposits	13,786	-	(13,786)	-
Capital assets, net	113,509	4,443,665	-	4,557,174
Total noncurrent assets	<u>750,561</u>	<u>4,443,665</u>	<u>(637,052)</u>	<u>4,557,174</u>
<b>Total Assets</b>	<u>\$ 6,326,486</u>	<u>\$ 4,888,521</u>	<u>\$ (4,104,139)</u>	<u>\$ 7,110,868</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable	\$ 211,941	\$ -	\$ -	\$ 211,941
Due to related party	-	24,801	(24,801)	-
Rental security deposits	-	13,786	(13,786)	-
Lease liability	703,122	-	(703,122)	-
Deferred revenue	382,908	-	-	382,908
Loans payable	51,324	2,082,537	-	2,133,861
Total liabilities	<u>1,349,295</u>	<u>2,121,124</u>	<u>(741,709)</u>	<u>2,728,710</u>
Net assets				
Without donor restrictions	<u>4,977,191</u>	<u>2,767,397</u>	<u>(3,362,430)</u>	<u>4,382,158</u>
Total net assets	<u>4,977,191</u>	<u>2,767,397</u>	<u>(3,362,430)</u>	<u>4,382,158</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,326,486</u>	<u>\$ 4,888,521</u>	<u>\$ (4,104,139)</u>	<u>\$ 7,110,868</u>

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Nevada City School of the Arts (Charter No. 0869)			Raven Springs, LLC	Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total			
<b>SUPPORT AND REVENUES</b>						
Federal and state support and revenues						
Local control funding formula, state aid	\$ 2,338,800	\$ -	\$ 2,338,800	\$ -	\$ -	\$ 2,338,800
Federal revenues	1,045,497	-	1,045,497	-	-	1,045,497
Other state revenues	2,542,856	-	2,542,856	-	-	2,542,856
Total federal and state support and revenues	<u>5,927,153</u>	<u>-</u>	<u>5,927,153</u>	<u>-</u>	<u>-</u>	<u>5,927,153</u>
Local support and revenues						
Payments in lieu of property taxes	1,731,286	-	1,731,286	-	-	1,731,286
Grants and donations	75,396	-	75,396	-	-	75,396
Afterschool childcare fees (if material)	185,358	-	185,358	-	-	185,358
Rental income (if material)	-	-	-	875,412	(624,085)	251,327
Investment income, net	8	-	8	158	-	166
Other local revenues	377,034	-	377,034	-	(165,099)	211,935
Total local support and revenues	<u>2,369,082</u>	<u>-</u>	<u>2,369,082</u>	<u>875,570</u>	<u>(789,184)</u>	<u>2,455,468</u>
Donor restrictions satisfied	45,851	(45,851)	-	-	-	-
<b>Total Support and Revenues</b>	<u>8,342,086</u>	<u>(45,851)</u>	<u>8,296,235</u>	<u>875,570</u>	<u>(789,184)</u>	<u>8,382,621</u>
<b>EXPENSES</b>						
Program services	5,557,701	-	5,557,701	-	-	5,557,701
Management and general	2,667,539	-	2,667,539	1,018,031	(869,040)	2,816,530
<b>Total Expenses</b>	<u>8,225,240</u>	<u>-</u>	<u>8,225,240</u>	<u>1,018,031</u>	<u>(869,040)</u>	<u>8,374,231</u>
<b>CHANGE IN NET ASSETS</b>	116,846	(45,851)	70,995	(142,461)	79,856	8,390
<b>Net Assets - Beginning</b>	<u>4,860,345</u>	<u>45,851</u>	<u>4,906,196</u>	<u>2,909,858</u>	<u>(3,442,286)</u>	<u>4,373,768</u>
<b>Net Assets - Ending</b>	<u>\$ 4,977,191</u>	<u>\$ -</u>	<u>\$ 4,977,191</u>	<u>\$ 2,767,397</u>	<u>\$ (3,362,430)</u>	<u>\$ 4,382,158</u>

See accompanying note to supplementary information.



**NEVADA CITY SCHOOL OF THE ARTS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2023**

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	Second Period Report	Annual Report
	Classroom-Based	
<b>Grade Span</b>		
Regular		
Kindergarten* through third	162.96	164.19
Fourth through sixth	137.67	138.42
Seventh through eighth	89.03	89.84
<b>Total Average Daily Attendance - Classroom-Based</b>	<b>389.66</b>	<b>392.45</b>

\*Includes Transitional Kindergarten (TK)

**The Charter had no Nonclassroom-Based ADA in 2022-23.**

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2023**

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Grade Level	Minutes Requirement	Actual Instructional Minutes	Credited Minutes Per the Approved Form J-13A*	Total Minutes Offered	Total Days Offered	Actual Number of Days	Credited Days Per the Approved Form J-13A*	Status
Kindergarten**	36,000	45,590	1,490	47,080	175	170	5	Complied
Grade 1	50,400	49,655	1,385	51,040	175	170	5	Complied
Grade 2	50,400	49,655	1,385	51,040	175	170	5	Complied
Grade 3	50,400	49,655	1,385	51,040	175	170	5	Complied
Grade 4	54,000	55,460	1,520	56,980	175	170	5	Complied
Grade 5	54,000	55,460	1,520	56,980	175	170	5	Complied
Grade 6	54,000	53,525	1,475	55,000	175	170	5	Complied
Grade 7	54,000	53,525	1,475	55,000	175	170	5	Complied
Grade 8	54,000	53,525	1,475	55,000	175	170	5	Complied

\*The Charter received an approved Form J-13A for the number of instructional days and the number of instructional minutes indicated above.

\*\*Includes Transitional Kindergarten (TK)

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS  
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL  
STATEMENTS  
JUNE 30, 2023**

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June 30, 2023, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 5,057,047</u>
Adjustments:	
Increase (decrease) in total net assets:	
Implementation of new lease standard (FASB ASC 842)	<u>(79,856)</u>
Net adjustments	<u>(79,856)</u>
June 30, 2023, net assets per audited financial statements*	<u>\$ 4,977,191</u>

\*The Financial Report – Alternative Form is reconciled to the Charter’s net assets and does not include the net assets of Raven Springs, LLC.

**NEVADA CITY SCHOOL OF THE ARTS  
NOTE TO THE SUPPLEMENTARY INFORMATION  
JUNE 30, 2023**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**A. LEA Organization Structure**

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

**B. Consolidating Financial Statements**

The Organization's consolidating financial statements of financial position and activities provide information supporting amounts incorporated from Nevada City School of the Arts, the charter school, and Raven Springs LLC in the Organization's consolidated financial statements.

**C. Schedule of Average Daily Attendance**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**D. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the Nevada City School of the Arts and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

**E. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements**

This schedule provides the information necessary to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to the Charter's net assets on the audited consolidating financial statements.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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**

Independent Auditors' Report

To the Board of Directors of  
Nevada City School of the Arts  
Nevada City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Nevada City School of the Arts (the "Organization") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated January 31, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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.

## Report on Compliance and Other Matters (continued)

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 Organization'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
January 31, 2024

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

To the Board of Directors of  
Nevada City School of the Arts  
Nevada City, California

**Report on State Compliance****Opinion on State Compliance**

We have audited Nevada City School of the Arts' 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 Nevada City School of the Arts' state program requirements for the fiscal year ended June 30, 2023.

In our opinion, Nevada City School of the Arts complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

**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; 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*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Nevada City School of the Arts and to meet certain 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 opinion on state compliance. Our audit does not provide a legal determination of Nevada City School of the Arts' 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 internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Nevada City School of the Arts' state programs.



## Auditor’s Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nevada City School of the Arts' 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 generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Nevada City School of the Arts' compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement 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 Nevada City School of the Arts' compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nevada City School of the Arts' 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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Nevada City School of the Arts' internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Nevada City School of the Arts' compliance with the state laws and regulations to the following items:

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

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

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 or 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section 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. 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 requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
January 31, 2024

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**NEVADA CITY SCHOOL OF THE ARTS  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**Financial Statements**

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>None</u>

**Federal Awards**

*The Organization did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable. Refer to Note 12 of the financial statements for a reconciliation of federal revenues and expenditures.*

**State Awards**

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>

All audit year findings, if any, are assigned an appropriate finding code as follows:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**NEVADA CITY SCHOOL OF THE ARTS  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings related to the financial statements for the year ended June 30, 2023.

**NEVADA CITY SCHOOL OF THE ARTS  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

**NEVADA CITY SCHOOL OF THE ARTS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FINDING 2022-001: Expanded Learning Opportunities Grant (ELO-G) (40000)**

**Criteria:** Pursuant to California Education Code Section 43522, all local educational agencies receiving ELO-G funding were required to adopt an expenditure plan for the apportioned funds by June 1, 2021. Charter schools were required to submit the approved plan to their chartering authority within five days of adoption pursuant to Education Code Section 43522(e).

**Condition:** Based on our review of board documentation and subsequent correspondence with Nevada County Superintendent of Schools, the Charter's ELO-G plan was board approved on June 16, 2021 and submitted to Nevada County Superintendent of Schools on June 24, 2021.

**Effect:** The Charter was not in compliance with the Education Code requirement related to submission of the approved ELO-G plan to their charting authority within five days of board approval.

**Cause:** Administrative oversight.

**Questioned Cost:** There are no questioned costs associated with this finding.

**Repeat Finding:** No, this is not a repeat finding.

**Recommendation:** No corrective action is needed since the plan for these funds has been developed and submitted to Nevada County Superintendent of Schools. Under current requirements, there is no ELO-G plan update required for future years.

**Corrective Action Plan:** Not applicable since the charter developed and submitted the expenditure plan to the Nevada County Superintendent of Schools. The expenditure plan relates to one-time grant funds with no future requirements.

**Current Status:** Implemented.