



**NEVADA CITY
SCHOOL OF THE ARTS**

**CONSOLIDATED
AUDIT REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2022**

**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
TABLE OF CONTENTS
JUNE 30, 2022**

FINANCIAL SECTION

Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7

SUPPLEMENTARY INFORMATION

LEA Organization Structure	18
Schedule of Expenditures of Federal Awards	19
Consolidating Financial Statements	
Consolidating Statement of Financial Position	20
Consolidating Statement of Activities	21
Schedule of Average Daily Attendance	22
Schedule of Instructional Time	23
Reconciliation of Financial Report – Alternative Form with Audited Financial Statements	24
Note to the Supplementary Information	25

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	26
Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance	28
Report on State Compliance	31

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	34
Financial Statement Findings	35
Federal Award Findings and Questioned Costs	36
State Award Findings and Questioned Costs	37
Schedule of Prior Audit Findings	38

FINANCIAL SECTION

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 (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2022, 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, 2022, 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. 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.

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

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, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 14, 2022, 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 the Organization'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
December 14, 2022

**NEVADA CITY SCHOOL OF THE ARTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

Current assets

Cash and cash equivalents	\$ 1,077,794
Accounts receivable	1,007,146
Prepaid expenses	<u>68,378</u>
Total current assets	<u>2,153,318</u>

Capital assets

Property and equipment	6,295,585
Less accumulated depreciation	<u>(1,573,399)</u>
Capital assets, net	<u>4,722,186</u>
Total Assets	<u>\$ 6,875,504</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 130,763
Rental security deposits	6,467
Deferred revenue	152,856
Notes payable	<u>2,211,650</u>
Total liabilities	<u>2,501,736</u>

Net assets

Without donor restrictions	4,327,917
With donor restrictions	<u>45,851</u>
Total net assets	<u>4,373,768</u>
Total Liabilities and Net Assets	<u>\$ 6,875,504</u>

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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 3,009,029	\$ -	\$ 3,009,029
Federal revenues	1,379,593	-	1,379,593
Other state revenues	1,284,604	343	1,284,947
Total federal and state support and revenues	<u>5,673,226</u>	<u>343</u>	<u>5,673,569</u>
Local support and revenues			
Payments in lieu of property taxes	886,730	-	886,730
Grants and donations	158,944	-	158,944
Afterschool childcare fees	102,154	-	102,154
Rental income	233,527	-	233,527
Investment income, net	119	-	119
Other local revenues	62,908	-	62,908
Total local support and revenues	<u>1,444,382</u>	<u>-</u>	<u>1,444,382</u>
Donor restrictions satisfied	4,859	(4,859)	-
Total Support and Revenues	<u>7,122,467</u>	<u>(4,516)</u>	<u>7,117,951</u>
EXPENSES			
Program services	3,787,908	-	3,787,908
Supporting services			
Management and general	3,534,492	-	3,534,492
Fundraising	77,846	-	77,846
Total Expenses	<u>7,400,246</u>	<u>-</u>	<u>7,400,246</u>
CHANGE IN NET ASSETS	(277,779)	(4,516)	(282,295)
Net Assets - Beginning	<u>4,605,696</u>	<u>50,367</u>	<u>4,656,063</u>
Net Assets - Ending	<u>\$ 4,327,917</u>	<u>\$ 45,851</u>	<u>\$ 4,373,768</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, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 1,264,612	\$ 739,896	\$ 25,132	\$ 2,029,640
Non-certificated salaries	845,078	607,864	29,652	1,482,594
Pension plan contributions	509,499	51,200	2,128	562,827
Payroll taxes	115,853	74,357	4,910	195,120
Other employee benefits	198,433	215,495	8,535	422,463
Total personnel expenses	<u>2,933,475</u>	<u>1,688,812</u>	<u>70,357</u>	<u>4,692,644</u>
Non-personnel expenses				
Books and supplies	173,081	311,925	-	485,006
Insurance	-	126,048	-	126,048
Facilities	-	1,170,445	-	1,170,445
Professional services	568,535	463,155	5,128	1,036,818
Interest expense	7,650	102,544	-	110,194
Depreciation	-	345,394	-	345,394
Fees to authorizing agency	36,380	-	-	36,380
Other operating expenses	68,787	105,551	2,361	176,699
Total non-personnel expenses	<u>854,433</u>	<u>2,625,062</u>	<u>7,489</u>	<u>3,486,984</u>
Eliminations	-	(779,382)	-	(779,382)
Total Expenses	<u>\$ 3,787,908</u>	<u>\$ 3,534,492</u>	<u>\$ 77,846</u>	<u>\$ 7,400,246</u>

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, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (282,295)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	345,394
(Increase) decrease in operating assets	
Accounts receivable	130,422
Prepaid expenses	(8,772)
Deposits	13,786
Increase (decrease) in operating liabilities	
Accounts payable	(56,030)
Rental security deposits	(7,392)
Deferred revenue	152,856
Net cash provided by (used in) operating activities	<u>287,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(310,590)</u>
Net cash provided by (used in) investing activities	<u>(310,590)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Draws or proceeds from loans payable	2,210,000
Principal payments on loans payable	<u>(1,820,090)</u>
Net cash provided by (used in) financing activities	<u>389,910</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	367,289
Cash and cash equivalents - Beginning	<u>710,505</u>
Cash and cash equivalents - Ending	<u>\$ 1,077,794</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 110,194</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, 2022**

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, the new term expiration date is June 30, 2024. 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. 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.

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.

**NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

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. 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.

G. 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.

H. 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.

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.

**NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022, 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. 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.

NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. New Accounting Pronouncement

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. The Organization will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2022, consists of the following:

	Nevada City School of the Arts	Raven Springs, LLC	Consolidated Total
Cash in banks, interest bearing	\$ 451,962	\$ 619,944	\$ 1,071,906
Cash in banks, non-interest bearing	5,888	-	5,888
Total Cash and Cash Equivalents	\$ 457,850	\$ 619,944	\$ 1,077,794

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, 2022, \$551,930 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.

NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, as of June 30, 2022, consists of the following:

	Nevada City School of the Arts
Federal sources	\$ 748,521
Other state sources	228,964
In lieu property tax payments	4,763
Other local sources	24,898
Total Accounts Receivable	\$ 1,007,146

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets, during the year ended June 30, 2022, consists of the following:

	Balance July 1, 2021	Additions	Disposals	Intercompany Transfers In/(Out)	Balance June 30, 2022
Nevada City School of the Arts					
Property and equipment					
Land	\$ 104,265	\$ -	\$ -	\$ -	\$ 104,265
Buildings and improvements	135,377	13,875			149,252
Furniture and equipment	20,000			(20,000)	-
Construction in progress	119,215	22,133		(141,348)	-
Total property and equipment	378,857	36,008		(161,348)	253,517
Less accumulated depreciation	(114,272)	(14,810)		4,000	(125,082)
Capital Assets, net	\$ 264,585	\$ 21,198	\$ -	\$ (157,348)	\$ 128,435
Raven Springs, LLC					
Property and equipment					
Land	\$ 1,335,647	\$ -	\$ -	\$ -	\$ 1,335,647
Buildings and improvements	4,265,186				4,265,186
Furniture and equipment	5,305	13,847		20,000	39,152
Construction in progress	-	260,735		141,348	402,083
Total property and equipment	5,606,138	274,582		161,348	6,042,068
Less accumulated depreciation	(1,113,733)	(330,584)		(4,000)	(1,448,317)
Capital Assets, net	\$ 4,492,405	\$ (56,002)	\$ -	\$ 157,348	\$ 4,593,751
Consolidated Capital Assets, net	\$ 4,756,990	\$ (34,804)	\$ -	\$ -	\$ 4,722,186

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable, as of June 30, 2022, consists of the following:

	Nevada City School of the Arts
Salaries and benefits	\$ 75,226
Due to authorizing agency	36,380
Credit card liability	8,769
Other vendor payables	10,388
Total Accounts Payable	\$ 130,763

NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 6 – DEFERRED REVENUE

Deferred revenue, as of June 30, 2022, consists of \$152,856 of state sources.

NOTE 7 – NOTES PAYABLE

A summary of activity related to loans payable, during the year ended June 30, 2022, consists of the following:

	Balance			Balance
Nevada City School of the Arts	July 1, 2021	Draws	Payments	June 30, 2022
Operational credit	\$ 100,000	\$ -	\$ 100,000	\$ -
On-Bill financing loan	66,345	-	7,510	58,835
Total Loans Payable	\$ 166,345	\$ -	\$ 107,510	\$ 58,835

	Balance			Balance
Raven Springs, LLC	July 1, 2021	Draws	Payments	June 30, 2022
Mortgage loan	\$ 1,012,678	\$ -	\$ 1,012,678	\$ -
Construction loans	642,717	-	642,717	-
Promissory note	-	2,210,000	57,185	2,152,815
Total Loans Payable	\$ 1,655,395	\$ 2,210,000	\$ 1,712,580	\$ 2,152,815

Consolidated Notes Payable	\$ 1,821,740	\$ 2,210,000	\$ 1,820,090	\$ 2,211,650
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Operational Credit

In September 2018, the Organization entered into a temporary cash transfer agreement with the Nevada County Superintendent of Schools for the borrowing of \$400,000. The purpose of the borrowing was to cover short-term cash flow needs. Interest on the borrowing is equal to the actual interest rate published by the Nevada County Treasury during the time of the loan. In November 2020, the loan was extended so that the funds, including all interest, are repaid no later than September 31, 2021. As of June 30, 2022, this loan had been fully repaid.

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:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2023	\$ 7,511
2024	7,511
2025	7,511
2026	7,511
2027	7,511
Thereafter	21,280
Total	\$ 58,835

**NEVADA CITY SCHOOL OF THE ARTS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 7 – NOTES PAYABLE (continued)

Mortgage and Construction Loans

On November 14, 2016, the Nevada City School of the Arts entered into a mortgage loan agreement with Tri Counties Bank for the purpose of financing the purchase for real property located at 13032 Bitney Springs Road in Nevada City, California. The loan was for \$1,200,000 and bears interest of 4.97%. On July 1, 2020 the mortgage loan was transferred from the Charter to Raven Springs, LLC.

Also on November 14, 2016, the Nevada City School of the Arts entered into a construction loan agreement with Tri Counties Bank for improvements to the above mentioned property. The loan was for \$744,000 and bears interest of 4.75%. On July 1, 2020 the construction loan was transferred from the Charter to Raven Springs, LLC.

On August 24, 2021 both the mortgage loan and construction loan were fully repaid as part of a refinancing promissory note totaling \$2,210,000.

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 County. Future minimum payments associated with the promissory note are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2023	\$ 71,671
2024	75,151
2025	78,799
2026	82,625
2027	98,897
Thereafter	<u>1,745,672</u>
Total minimum payments	2,152,815
Less: interest component	<u>(710,270)</u>
Total	<u>\$ 1,442,545</u>

NOTE 8 – NET ASSETS

Net Assets with Donor Restrictions

At June 30, 2022, the Charter held \$45,851 of net assets with donor restrictions consisting of the following programs from State-imposed restricted funding:

Lottery	\$ 44,951
Classified professional development grant	<u>900</u>
Total Net Assets with Donor Restrictions	<u>\$ 45,851</u>

NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – NET ASSETS (continued)

Net Assets without 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, 2022, the Organization’s net assets without donor restrictions consists of the following:

Net investment in capital assets	\$ 2,510,536
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>1,309,210</u>
Total Net Assets without Donor Restrictions	<u>\$ 4,327,917</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2022, 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.

Financial Assets	
Cash and cash equivalents	\$ 1,077,794
Accounts receivable	1,007,146
Prepaid expenses	68,378
Total Financial Assets, excluding noncurrent	<u>\$ 2,153,318</u>
Contractual or donor-imposed restrictions	
Cash restricted by others for specific uses	(45,851)
Cash held for conditional contributions	(152,856)
Board designations	
Reserve for economic uncertainty	(353,132)
Special education reserve	(141,253)
JPA contingency reserve	(13,786)
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 1,446,440</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.

**NEVADA CITY SCHOOL OF THE ARTS
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

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 2021-22 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2021-22 was 16.92% 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:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2021-22	\$ 341,653	100%
2020-21	\$ 393,497	100%
2019-20	\$ 247,925	100%

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 \$175,332. The on-behalf payment amount is computed as the proportionate share of total 2020-21 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, 2022 was \$16,366.

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 Charter’s financial statements because they do not meet the criteria required by generally accepted accounting principles.

**NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

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 new term expiration date to the charter petition is June 30, 2024.

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.

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 Charter'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 \$1,240,667 as of June 30, 2021. The Charter 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 Charter 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 Charter as of June 30, 2022.

NOTE 13 – RELATED PARTY TRANSACTIONS

Authorizing Agency

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 \$36,380 for the fiscal year ending June 30, 2022.

**NEVADA CITY SCHOOL OF THE ARTS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 13 – RELATED PARTY TRANSACTIONS (continued)

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:

- The transfer of capital assets including:
 - A transfer of equipment totaling \$20,000 with accumulated depreciation of \$4,000. The net transfer of \$16,000 is recognized as an expense to the Charter and revenue on transfer to the LLC.
 - A transfer of construction in progress of \$141,348 from the Charter to the LLC.
- 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.

NOTE 14 – SUBSEQUENT EVENTS

Nevada City School of the Arts has evaluated subsequent events for the period from June 30, 2022 through December 14, 2022, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**NEVADA CITY SCHOOL OF THE ARTS
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

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 began in August 2007. During 2021-22, the Charter served approximately 420 students in grades TK to 8.

BOARD OF DIRECTORS

<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
Meghan Archer	Secretary	June 30, 2022
Trisha Zakon	Board Member	June 30, 2022
Laura LeBleu	Board Member	June 30, 2023
Qayyuma Didomenico	Board Member	June 30, 2022
Andrew Todd	Board Member	June 30, 2023
Abby Oas	Board Member	June 30, 2023

ADMINISTRATION

Holly Pettitt
School Director

Melissa Brokenshire
Business Manager

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 77,166
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	21,196
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	10,000
Title IV, Part C: Public Charter Schools Grants	84.282	*	38,359
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1]:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	238,417
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	478,573
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425	10155	83,691
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	39,050
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	8,961
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	25,437
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	43,850
Subtotal Education Stabilization Fund Discretionary Grants			917,979
<i>Passed through the Nevada County Special Education Local Planning Area:</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	71,997
Total U. S. Department of Education			1,136,697
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	13004	239,313
Subtotal Child Nutrition Cluster			239,313
Pandemic EBT Local Administrative Grant	10.649	15644	614
Forest Reserve Funds	10.665	10044	2,969
Total U. S. Department of Agriculture			242,896
Total Federal Expenditures			\$ 1,379,593

[1] - Major Program

* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

NEVADA CITY SCHOOL OF THE ARTS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	Nevada City School of the Arts Charter No. 0869	Raven Springs, LLC	Eliminations	Consolidated Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 457,850	\$ 619,944	\$ -	\$ 1,077,794
Investments	3,442,286	-	(3,442,286)	-
Accounts receivable	1,007,146	-	-	1,007,146
Due from related entity	141,348	-	(141,348)	-
Prepaid expenses	57,799	10,579	-	68,378
Total current assets	<u>5,106,429</u>	<u>630,523</u>	<u>(3,583,634)</u>	<u>2,153,318</u>
Noncurrent assets				
Deposits	13,786	-	(13,786)	-
Property and equipment	253,517	6,042,068	-	6,295,585
Less accumulated depreciation	(125,082)	(1,448,317)	-	(1,573,399)
Capital assets, net	<u>128,435</u>	<u>4,593,751</u>	<u>-</u>	<u>4,722,186</u>
Total noncurrent assets	<u>142,221</u>	<u>4,593,751</u>	<u>(13,786)</u>	<u>4,722,186</u>
Total Assets	<u>\$ 5,248,650</u>	<u>\$ 5,224,274</u>	<u>\$ (3,597,420)</u>	<u>\$ 6,875,504</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 130,763	\$ -	\$ -	\$ 130,763
Due to related party	-	141,348	(141,348)	-
Rental security deposits	-	20,253	(13,786)	6,467
Deferred revenue	152,856	-	-	152,856
Notes payable	<u>58,835</u>	<u>2,152,815</u>	<u>-</u>	<u>2,211,650</u>
Total liabilities	<u>342,454</u>	<u>2,314,416</u>	<u>(155,134)</u>	<u>2,501,736</u>
Net assets				
Without donor restrictions	4,860,345	2,909,858	(3,442,286)	4,327,917
With donor restrictions	<u>45,851</u>	<u>-</u>	<u>-</u>	<u>45,851</u>
Total net assets	<u>4,906,196</u>	<u>2,909,858</u>	<u>(3,442,286)</u>	<u>4,373,768</u>
Total Liabilities and Net Assets	<u>\$ 5,248,650</u>	<u>\$ 5,224,274</u>	<u>\$ (3,597,420)</u>	<u>\$ 6,875,504</u>

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Nevada City School of the Arts (Charter No. 0869)			Raven Springs, LLC	Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total			
SUPPORT AND REVENUES						
Federal and state support and revenues						
Local control funding formula, state aid	\$ 3,009,029	\$ -	\$ 3,009,029	\$ -	\$ -	\$ 3,009,029
Federal revenues	1,379,593	-	1,379,593	-	-	1,379,593
Other state revenues	1,284,604	343	1,284,947	-	-	1,284,947
Total federal and state support and revenues	<u>5,673,226</u>	<u>343</u>	<u>5,673,569</u>	<u>-</u>	<u>-</u>	<u>5,673,569</u>
Local support and revenues						
Payments in lieu of property taxes	886,730	-	886,730	-	-	886,730
Grants and donations	158,944	-	158,944	-	-	158,944
Afterschool childcare fees	102,154	-	102,154	-	-	102,154
Rental income	-	-	-	839,522	(605,995)	233,527
Investment income, net	7	-	7	112	-	119
Other local revenues	220,295	-	220,295	16,000	(173,387)	62,908
Total local support and revenues	<u>1,368,130</u>	<u>-</u>	<u>1,368,130</u>	<u>855,634</u>	<u>(779,382)</u>	<u>1,444,382</u>
Donor restrictions satisfied	4,859	(4,859)	-	-	-	-
Total Support and Revenues	<u>7,046,215</u>	<u>(4,516)</u>	<u>7,041,699</u>	<u>855,634</u>	<u>(779,382)</u>	<u>7,117,951</u>
EXPENSES						
Program services	3,787,908	-	3,787,908	-	-	3,787,908
Supporting services						
Management and general	3,257,071	-	3,257,071	1,056,803	(779,382)	3,534,492
Fundraising	77,846	-	77,846	-	-	77,846
Total Expenses	<u>7,122,825</u>	<u>-</u>	<u>7,122,825</u>	<u>1,056,803</u>	<u>(779,382)</u>	<u>7,400,246</u>
CHANGE IN NET ASSETS	(76,610)	(4,516)	(81,126)	(201,169)	-	(282,295)
Net Assets - Beginning	<u>4,936,955</u>	<u>50,367</u>	<u>4,987,322</u>	<u>3,111,027</u>	<u>(3,442,286)</u>	<u>4,656,063</u>
Net Assets - Ending	<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>

See accompanying note to supplementary information.

**NEVADA CITY SCHOOL OF THE ARTS
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Kindergarten* through third	169.45	166.88
Fourth through sixth	136.93	136.30
Seventh through eighth	80.13	79.45
Total Average Daily Attendance - Classroom-Based	<u>386.51</u>	<u>382.63</u>

*Includes Transitional Kindergarten (TK)

The Charter had no Nonclassroom-Based ADA in 2021-22.

**NEVADA CITY SCHOOL OF THE ARTS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Span	Minutes Requirement	2021-22 Instructional Minutes	2021-22 Required Number of Days	2021-22 Actual Number of Days	Credited Days Per the Submitted Form J-13A**	Status
Kindergarten*	36,000	36,105	175	174	1	In Compliance
Grades 1 through 3	50,400	51,945	175	174	1	In Compliance
Grades 4 through 8	54,000	54,771	175	174	1	In Compliance

*Includes Transitional Kindergarten (TK).

**The Charter submitted a Form J-13A for 1 instructional day.

**NEVADA CITY SCHOOL OF THE ARTS
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2022**

June 30, 2022, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 5,140,461</u>
Adjustments:	
Increase (decrease) in total net assets:	
Reclass conditional contributions as deferred revenue	(188,808)
Record expense on contribution of asset to LLC	(16,000)
Reclass pension plan expenses	(29,476)
Client adjustments subsequent to preparation of alternative form	<u>19</u>
Net adjustments	<u>(234,265)</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, 2022**

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. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Organization has not elected to use the 10 percent de minimis indirect cost rate.

C. 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.

D. 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.

E. 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*.

F. 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.

OTHER INDEPENDENT AUDITORS' REPORTS

**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, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 14, 2022.

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. 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
December 14, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program**Opinion on Each Major Federal Program**

We have audited Nevada City School of the Arts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Nevada City School of the Arts' major federal programs for the year ended June 30, 2022. Nevada City School of the Arts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nevada City School of the Arts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 on compliance for each major federal program. 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 effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Nevada City School of the Arts' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 Uniform Guidance 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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, 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 the compliance requirements referred to above and performing such procedures as we consider 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 Uniform Guidance, 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.

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 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 federal 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 federal 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 federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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.

Report on Internal Control Over Compliance (continued)

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 14, 2022

REPORT ON STATE COMPLIANCEIndependent 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 types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Nevada City School of the Arts' state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Nevada City School of the Arts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

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 *2021-22 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
School Districts, County Offices of Education and Charter Schools	
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
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

“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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the K-12 Audit Guide and which is described in the accompanying schedule of findings and questioned costs as Finding 2022-001. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Nevada City School of the Arts' response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs as the corrective action plan. Nevada City School of the Arts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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.



San Diego, California
December 14, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**NEVADA CITY SCHOOL OF THE ARTS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>Yes</u>
Identification of major programs:	
<u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u>	
<u>84.425</u> <u>Education Stabilization Fund Discretionary Grants</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

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 <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</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, 2022**

There were no audit findings related to the financial statements during the year ended June 30, 2022.

**NEVADA CITY SCHOOL OF THE ARTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to federal awards during the year ended June 30, 2022.

**NEVADA CITY SCHOOL OF THE ARTS
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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.

**NEVADA CITY SCHOOL OF THE ARTS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

This schedule presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2021.