

SHANÉL VALLEY ACADEMY

AUDIT REPORT

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

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

ShanéL Valley Academy (Charter No. 2117)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Shanél Valley Academy
Hopland, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Shanél Valley Academy (the "Charter") which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shanél Valley Academy 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 Shanél Valley Academy 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shanél Valley Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shanél Valley Academy's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **January 27, 2023**, on our consideration of Shanél Valley Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter'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 Shanél Valley Academy's internal control over financial reporting and compliance.

San Diego, California

January 27, 2023

SHANÉL VALLEY ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 164,734
Accounts receivable	451,138
Prepaid expenses	10,880
Total current assets	<u>626,752</u>

Capital assets	
Property and equipment	430,939
Less accumulated depreciation	<u>(15,396)</u>
Capital assets, net	415,543
Total Assets	<u>\$ 1,042,295</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 105,320
Deferred credit - lease incentive	493,939
Loans payable	<u>500,000</u>
Total liabilities	<u>1,099,259</u>

Net assets	
Without donor restrictions	<u>(56,964)</u>
Total net assets	<u>(56,964)</u>
Total Liabilities and Net Assets	<u>\$ 1,042,295</u>

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

**SHANÉL VALLEY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 729,303
Federal revenues	722,688
Other state revenues	106,993
Total federal and state support and revenues	<u>1,558,984</u>
Local support and revenues	
Payments in lieu of property taxes	251,225
Grants and donations	277,384
Donated use of facilities	26,061
Investment income, net	414
Other local revenues	27,273
Total local support and revenues	<u>582,357</u>
Total Support and Revenues	<u>2,141,341</u>
EXPENSES	
Program services	2,059,126
Management and general	347,075
Total Expenses	<u>2,406,201</u>
CHANGE IN NET ASSETS	(264,860)
Net Assets - Beginning	<u>207,896</u>
Net Assets - Ending	<u>\$ (56,964)</u>

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

**SHANÉL VALLEY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

EXPENSES	Program Services	Management and General	Total
Personnel expenses			
Certificated salaries	\$ 563,299	\$ 20,125	\$ 583,424
Non-certificated salaries	273,614	10,261	283,875
Pension plan contributions	87,946	3,142	91,088
Payroll taxes	49,332	1,796	51,128
Other employee benefits	108,047	3,867	111,914
Total personnel expenses	<u>1,082,238</u>	<u>39,191</u>	<u>1,121,429</u>
Non-personnel expenses			
Books and supplies	338,067	61,692	399,759
Insurance	-	62,235	62,235
Facilities	532,065	39,528	571,593
Professional services	91,045	117,798	208,843
Interest expense	-	7,879	7,879
Depreciation	11,547	3,849	15,396
Fees to authorizing agency	-	9,805	9,805
Other operating expenses	4,164	5,098	9,262
Total non-personnel expenses	<u>976,888</u>	<u>307,884</u>	<u>1,284,772</u>
Total Expenses	<u>\$ 2,059,126</u>	<u>\$ 347,075</u>	<u>\$ 2,406,201</u>

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

**SHANÉL VALLEY ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (264,860)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Noncash items	
Depreciation	15,396
Deferred credit for lease incentive	493,939
(Increase) decrease in operating assets	
Accounts receivable	(451,138)
Prepaid expenses	(10,880)
Increase (decrease) in operating liabilities	
Accounts payable	98,520
Net cash provided by (used in) operating activities	<u>(119,023)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(367,939)</u>
Net cash provided by (used in) investing activities	<u>(367,939)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Draws or proceeds from loans payable	<u>500,000</u>
Net cash provided by (used in) financing activities	<u>500,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,038
Cash and cash equivalents - Beginning	<u>151,696</u>
Cash and cash equivalents - Ending	<u>\$ 164,734</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

**SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

ShanéL Valley Academy (the “Charter”) was formed as a nonprofit public benefit corporation on July 21, 2020 under the name Sanel Valley Academy. In March 2021, amended articles of incorporation were filed to change the name to Shanél Valley Academy. The purpose of the nonprofit organization is to operate as a California public school located in Mendocino County. The charter school, under the same name, is numbered by the State Board of Education as California Charter No. 2117. The Charter’s mission is to restore education to the Hopland community as it is essential to a thriving future for the Hopland students, families, and the greater community. During the year ended June 30, 2022, the first year of school operation, Shanél Valley Academy served grades TK to 5.

ShanéL Valley Academy is authorized to operate as a charter school through the Ukiah Unified School District (the “authorizing agency”). The Board of Directors of Ukiah Unified School District approved a charter petition for a five-year term beginning July 1, 2021 and expiring on June 30, 2026. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its 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 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, Shanél Valley Academy 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.

As a public charter school, Shanél Valley Academy 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 Charter’s financial statement presentation.

D. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

F. In Lieu of Property Tax 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 authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Shanél Valley Academy. Revenues are recognized by the Charter when earned.

G. Functional Expenses

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

H. Cash and Cash Equivalents

Shanél Valley Academy considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Charter’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.

J. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances (continued)

Based on review of these factors, the Charter establishes 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.

K. Capital Assets

Shané Valley Academy 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.

L. 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.

M. Income Taxes

Shané Valley Academy 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. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

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

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). 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. The three levels of the fair value hierarchy are described below:

- 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.

SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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 Charter 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:

Cash in county treasury	\$ 95,016
Cash in banks, non-interest bearing	69,718
Total Cash and Cash Equivalents	\$ 164,734

Cash in Banks

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. Shanél Valley Academy 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, Shanél Valley Academy’s bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank.

Cash in County Treasury

Policies and Practices

Shanél Valley Academy is a voluntary participant in an external investment pool. The fair value of the Charter’s investment in the pool is reported in the financial statements at amounts based upon the Charter’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the county treasury. The Charter’s investments in the Mendocino County Treasury Investment Pool, which combines the Charter’s share of the portfolio, has a combined fair value of \$96,869 and an amortized book value of \$95,016 as of June 30, 2022. The average weighted maturity for this pool is 482 days.

SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Charter funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Fair Value Measurement

Cash in county treasury is measured at Level 1 using the fair value input levels noted in Note 1N. The funds were not previously measured. The Charter has classified these funds as Level 1 because the amounts invested in the county treasury pooled investment fund primarily consist of investments types having observable inputs that reflect quoted prices. The investment types include those noted under the general authorizations section. As such, the carrying value consists of the amortized book value presented as "cash in county treasury" offset by the "county treasury fair value adjustment", if recorded and deemed material, to arrive at the combined fair value amount noted under the interest rate risk section.

NOTE 3 – ACCOUNTS RECEIVABLE

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

Federal sources	\$ 157,988
State sources	286,722
Local sources	6,428
Total Accounts Receivable	\$ 451,138

SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS

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

	July 1, 2021	Additions	Disposals	June 30, 2022
Property and equipment				
Building improvements	\$ -	\$ 430,939	\$ -	\$ 430,939
Construction in progress	63,000	-	63,000	-
Total property and equipment	63,000	430,939	63,000	430,939
Less accumulated depreciation	-	(15,396)	-	(15,396)
Capital Assets, net	\$ 63,000	\$ 415,543	\$ 63,000	\$ 415,543

NOTE 5 – ACCOUNTS PAYABLE

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

Vendor payables	\$ 59,929
Salaries and benefits	19,559
Due to authorizing agency	11,678
Accrued interest expense	7,879
Credit card liability	6,275
Total Accounts Payable	\$ 105,320

NOTE 6 – DEFERRED CREDIT – LEASE INCENTIVE

In February 2021, Shanél Valley Academy entered into a lease agreement with the Ukiah Unified School District, the authorizing agency, beginning March 1, 2021 and ending June 30, 2026. The agreement calls for discounted annual rent of 1.25% of the fair market value of the property, but allows for a reduction in costs for initial tenant improvements. The fair market value for annual lease on the property was valued at \$520,000. The Charter incurred \$493,939 in costs for tenant improvements. Under generally accepted accounting principles, the tenant improvements are deemed a deferred credit for lease incentives that are to be amortized over a straight-line basis over the lease term. Future annual amortization costs will be recorded as a reduction to rent expense.

NOTE 7 – LOANS PAYABLE

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

	July 1, 2021	Draws	Payments	June 30, 2022
Line of credit	\$ -	\$ 250,000	\$ -	\$ 250,000
Charter revolving loan	-	250,000	-	250,000
Total Loans Payable	\$ -	\$ 500,000	\$ -	\$ 500,000

Line of Credit

In July 2021, the Charter entered into a promissory note for a line of credit borrowing of \$250,000. The note bears a variable interest rate of no less than 4.00%. The original promissory note had a maturity date of July 23, 2022 and was subsequently extended to January 23, 2024. As of June 30, 2022, \$7,879 was recorded in accrued interest expense.

SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – LOANS PAYABLE (continued)

Charter Revolving Loan

The Charter was approved to borrow \$250,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The Charter received \$100,000 in proceeds in August 2021 and another \$150,000 in January 2022. The loan is to be repaid over a five-year period with payments beginning in August 2022 and ending January 2026. The revolving note bears an annualized interest rate equal to the “prime rate” of 0.23%. As of June 30, 2022, the full loan amount remained outstanding. Repayment obligations are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 62,502	\$ 594	\$ 63,096
2024	62,502	389	62,891
2025	62,502	250	62,752
2026	62,494	109	62,603
Total	\$ 250,000	\$ 1,342	\$ 251,342

NOTE 8– NET ASSETS

As of June 30, 2022, the Charter 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 Charter. At June 30, 2022, the Charter’s net assets without donor restrictions consists of the following:

Net investment in capital assets	\$ 415,543
Undesignated	(472,507)
Total Net Assets without Donor Restrictions	<u>\$ (56,964)</u>

The negative net asset balance is attributed to the deferred charges associated with the lease incentive at Note 6.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’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.

Financial Assets	
Cash and cash equivalents	\$ 164,734
Accounts receivable	451,138
Prepaid expenses	10,880
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 626,752</u>

SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – EMPLOYEE RETIREMENT PLAN

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. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The Charter offers social security as an alternative plan to all employees who do not qualify for CalSTRS. Additional information about the CalSTRS plan is as follows:

Plan Description

Shané Valley Academy 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 fiscal year ended June 30, 2022 was \$91,088; 100% of the required contribution.

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; however, as Shanél Valley Academy was not yet in operation during 2020-21, no payments were made on-behalf of the Charter during 2021-22. Shanél Valley Academy will become eligible to receive on-behalf payments beginning in 2022-23.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Shanél Valley Academy is approved to operate as a public charter school through authorization by the Ukiah Unified School District. 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.

Oversight Fees

The Charter makes payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$9,805 for the fiscal year ending June 30, 2022.

Lease Agreement

As mentioned at Note 6, the Charter holds a multi-year lease agreement with Ukiah Unified School District. Future lease agreements consist of 1.25% of the annual determined fair market value. Rent expense for the 2021-22 fiscal year was \$520,000; however, as disclosed at Notes 6 and 12, the Charter was not required to pay this expense.

SHANÉL VALLEY ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

Governmental Funds

Shané Valley Academy 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.

NOTE 12 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Shané Valley Academy 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.

The Charter recorded \$26,601 in donated use of facilities during the year ended June 30, 2022. This amount is calculated as the difference between the fair market value less deferred charges for lease incentives related to the lease agreement at Note 6. The facilities referred to in the lease agreement are used directly for classroom instruction. The donated facilities do not hold any donor-imposed restrictions.

NOTE 13 – SUBSEQUENT EVENTS

Shané Valley Academy has evaluated subsequent events for the period from June 30, 2022 through **January 27, 2023**, 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

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**SHANÉL VALLEY ACADEMY
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

Shané Valley Academy, located in Mendocino County, was formed as a nonprofit public benefit corporation on July 21, 2020. The charter school operated by the nonprofit, also named Shanél Valley Academy, is numbered by the State Board of Education as Charter No. 2117. The charter school is authorized by the Ukiah Unified School District. Classes began in September 2021. During 2021-22, the initial year of school operation, Shanél Valley Academy served approximately 111 students in grades TK to 6.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Amy Frost	President	September 30, 2022
Melea Meyer	Secretary	September 30, 2022
Sonny Elliott	Treasurer	July 22, 2023
Bessie Glossenger	Member	September 30, 2023
Jessica Farfan	Member	September 30, 2023

ADMINISTRATION

Eric Crawford
Principal

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**SHANÉL VALLEY ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
	Classroom-Based	
Grade Span		
Kindergarten* through third	66.37	67.35
Fourth through sixth	25.07	24.59
Total Average Daily Attendance - Classroom-Based	91.44	91.94
	Nonclassroom-Based	
Grade Span		
Kindergarten* through third	0.26	0.34
Fourth through sixth	0.08	0.10
Total Average Daily Attendance - Nonclassroom-Based	0.34	0.44

*Includes Transitional Kindergarten (TK)

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**SHANÉL VALLEY ACADEMY
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Instructional Minutes	2021-22 Number of Days	Status
Kindergarten*	36,000	49,000	175	Complied
Grade 1	50,400	50,640	175	Complied
Grade 2	50,400	50,640	175	Complied
Grade 3	50,400	50,640	175	Complied
Grade 4	54,000	54,780	175	Complied
Grade 5	54,000	54,780	175	Complied
Grade 6	54,000	54,780	175	Complied

*Includes Transitional Kindergarten (TK)

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**SHANÉL VALLEY ACADEMY
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>\$ 477,662</u>
Adjustments:	
Increase (decrease) in total net assets:	
Reconcile cash in county treasury account	<u>(40,687)</u>
June 30, 2022, net assets per audited financial statements	<u>\$ 436,975</u>

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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. 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.

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered per grade level by the Shanél Valley Academy and whether the Charter complied with the provisions of *Education Code Section 47612*.

D. 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 net assets on the audited 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
Shanél Valley Academy
Hopland, 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 Shanél Valley Academy (the "Charter") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated **January 27, 2023**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter'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 Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter'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.

San Diego, California

January 27, 2023

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Directors of
Shanél Valley Academy
Hopland, California

Report on State Compliance

Opinion on State Compliance

We have audited Shanél Valley Academy's 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 Shanél Valley Academy's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Shanél Valley Academy 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 Shanél Valley Academy 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 Shanél Valley Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Shanél Valley Academy's 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 Shanél Valley Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Shanél Valley Academy's 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 Shanél Valley Academy's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Shanél Valley Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Shanél Valley Academy's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Shanél Valley Academy's 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	Not applicable
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Not applicable
Expanded Learning Opportunities Grant (ELO-G)	Not applicable
Career Technical Education Incentive Grant	Not applicable
In Person Instruction Grant	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

**We did not perform testing of Nonclassroom-Based Instruction/Independent Study because reported average daily attendance (ADA) was not material.*

“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.

San Diego, California
January 27, 2023

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**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

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**SHANÉL VALLEY ACADEMY
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

The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

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 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
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

**SHANÉL VALLEY ACADEMY
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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**SHANÉL VALLEY ACADEMY
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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**SHANÉL VALLEY ACADEMY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

An audit was not conducted nor required to be conducted for the fiscal year ended June 30, 2021.

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