

**Charter School of Morgan Hill**  
(South Valley Charter School)  
Charter #0363  
County of Santa Clara, Morgan Hill, California

Audited Financial Statements & Report  
June 30, 2023



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**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**SANTA CLARA COUNTY**

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## ***Financial Section***



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the South Valley Charter School  
Morgan Hill, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the South Valley Charter School (the Charter School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

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

The Charter School's 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 the Charter School's ability to continue as a going concern for one year after the date that the financial statements are issued.



***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The organization schedule, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget report to the audited financial statements as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget report to the audited financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of average daily attendance, the schedule of instructional time, and the reconciliation of the Annual Financial and Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule included has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

C & A LLP

Morgan Hill, California  
December 20, 2023

## ***Financial Statements***

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**

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**ASSETS**

Cash and cash equivalents	\$ 2,584,154
Accounts receivable	1,626,007
Prepaid expenses and other assets	34,885
Restricted cash	12,871,328
Capital assets - net	<u>5,751,490</u>
 Total Assets	 <u><u>\$ 22,867,864</u></u>

**LIABILITIES**

Accounts payable	\$ 2,235,965
Due to other governments	284,432
Unearned revenue	145,291
Loan payable	<u>7,944,637</u>
Total Liabilities	<u>10,610,325</u>

**NET ASSETS**

Without donor restrictions:	
Undesignated	3,683,011
Designated by the Board for operating reserves	<u>263,336</u>
Total net assets without donor restrictions	3,946,347
With donor restrictions:	<u>8,311,192</u>
Total Net Assets	<u>12,257,539</u>
 Total Liabilities and Net Assets	 <u><u>\$ 22,867,864</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>			
LCFF Sources	\$ 6,552,687	\$ -	\$ 6,552,687
Federal Revenue	-	267,936	267,936
State Revenue:			
Special education	-	488,362	488,362
School lunch program	-	365,720	365,720
Lottery revenue	151,991	75,532	227,523
School facilities program	-	7,254,666	7,254,666
All other state	737,789	345,144	1,082,933
Local Revenue:			
Foundation	-	354,065	354,065
Contributions and other	260,829	431,111	691,940
Interest	5,334	-	5,334
Net Assets Released from Restrictions	2,240,053	(2,240,053)	-
Total Revenues	<u>9,948,683</u>	<u>7,342,483</u>	<u>17,291,166</u>
<b>EXPENSES</b>			
Program expenses			
Educational programs	7,457,060	-	7,457,060
Supporting services			
Management and general expenses	1,320,815	-	1,320,815
Total Expenses	<u>8,777,875</u>	<u>-</u>	<u>8,777,875</u>
Change in Net Assets	1,170,808	7,342,483	8,513,291
Net Assets - Beginning	<u>2,775,539</u>	<u>968,709</u>	<u>3,744,248</u>
Net Assets - Ending	<u>\$ 3,946,347</u>	<u>\$ 8,311,192</u>	<u>\$ 12,257,539</u>

*The accompanying notes are an integral part of these financial statements.*

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Program Expenses</u>			<u>Supporting Services</u>			
	Federal and State Funded	Locally Funded	<b>Total Program Expenses</b>	Federal and State Funded	Locally Funded	<b>Total Supporting Services</b>	<b>Total Expenses</b>
Certificated Salaries	\$ 3,896,444	\$ 30,000	\$3,926,444	\$ 205,909	\$ -	\$ 205,909	\$4,132,353
Classified Salaries	875,123	50,438	925,561	194,311	-	194,311	1,119,872
Employee Benefits	1,491,866	3,964	1,495,830	71,789	-	71,789	1,567,619
Books and Supplies	382,861	47,538	430,399	26,896	1,920	28,816	459,215
Services and Other Operating Expenses	479,110	134,894	614,004	762,971	43,710	806,681	1,420,685
Depreciation	52,475	12,347	64,822	10,222	3,087	13,309	78,131
Total Expenses	<u>\$ 7,177,879</u>	<u>\$279,181</u>	<u>\$7,457,060</u>	<u>\$ 1,272,098</u>	<u>\$48,717</u>	<u>\$1,320,815</u>	<u>\$8,777,875</u>

*The accompanying notes are an integral part of these financial statements.*

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Cash flows from operating activities:	
Change in net assets	\$ 8,513,291
Depreciation expense	78,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	(1,240,378)
(Increase) decrease in prepaid expenses and other current assets	(19,256)
Increase (decrease) in accounts payable	1,791,762
Increase (decrease) in due to other governments	(13,427)
Increase (decrease) in unearned revenue	46,033
Net cash (used for) provided by operating activities	<u>9,156,156</u>
Cash flows from financing activities:	
Proceeds from loan	<u>7,254,666</u>
Net cash (used for) provided by financing activities	<u>7,254,666</u>
Cash flows from investing activities:	
Purchase of capital asset	<u>(3,543,179)</u>
Net cash (used for) provided by investing activities	<u>(3,543,179)</u>
Net increase (decrease) in cash and cash equivalents	12,867,643
Cash and cash equivalents - beginning of year	<u>2,587,839</u>
Cash and cash equivalents - end of year	<u><u>\$ 15,455,482</u></u>
Summary of cash and cash equivalents:	
Cash and cash equivalents available for operations	\$ 2,584,154
Restricted cash	12,871,328
Total cash and cash equivalents	<u><u>\$ 15,455,482</u></u>

*The accompanying notes are an integral part of these financial statements.*

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

A. Organization

The South Valley Charter School was organized in August 2001, for the establishment and operation of a Grade K-8 Charter School according to Senate Bill 1448 and under the laws of the State of California as a non-profit organization. As such, the Charter School receives certain public funding but is exempt from State laws governing Public Schools. The Charter School is governed by a Board with eight (8) Directors. The Charter School's charter is sponsored by Morgan Hill Unified School District. Its charter was renewed on February 11, 2021, for a term from July 1, 2021 through June 30, 2026.

B. Reporting Entity

The Charter School includes all activities that are controlled by or dependent on the Charter School's governing board for financial reporting purposes. The Charter School is fiscally independent and has elected to receive its revenue limit and State categorical funds through the block grant method established by AB 1115 (Ch. 78, St. 1999). The Charter School has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The Charter School determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

C. Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities (FASB Topic 958, ASU 2016-14).

D. Accounting Principles

The Charter School accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the Charter School conform to accounting principles generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants, which require the use of the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized in the period incurred.

E. Revenue and Revenue Recognition - Contracts with Customers Accounted for in Accordance with ASC 606

The Charter School recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Charter School expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Charter School combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Charter School management expects that the period between when the Charter School transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Charter School elected the

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component.

*Program Fees*

The Charter School provides services to individuals, groups and entities that ultimately furthers the mission of the Charter School, yet provides reciprocal value to these groups. Services include education, engagement, and empowerment programs. When applicable, the Charter School has a right to consideration from individuals, groups and entities in an amount that corresponds directly with the value provided upon the Charter School's date of completed performance. Individuals, groups and entities simultaneously receive and consume the benefits provided by the Charter School's performance obligations throughout the end of each period as services are provided. Therefore, the Charter School recognizes revenues as the services are provided. There were no unsatisfied performance obligations as of June 30, 2023

F. Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

*Grants*

Grants awarded by federal, state or local agencies, or passed through to the Charter School from another donor that received similar grants, are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenses are incurred and conditions under the grant agreement are met. Grants are summarized by resource in the statement of activities.

*Contributions of Cash and Other Financial Assets*

The Charter School receives support from individuals, local governments, corporations, groups, and other entities in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Charter School receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Charter School's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

*Contributions of Services and other Nonfinancial Assets*

Volunteers contribute significant amounts of time and inventory to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Charter School records donated professional services at the respective fair values of the services received, when applicable. No significant contributions of such goods or services were received during the fiscal year ended June 30, 2023.

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**G. Financial Instruments and Credit Risk**

The Charter School manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Charter School has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations, individuals, and organizations supportive of the Charter School's mission. The carrying amount of the Charter School's total cash was \$15,455,482 at June 30, 2023 and included restricted cash of \$12,871,328. The bank balance, before reconciling items, was \$17,184,253 at June 30, 2023 of which \$16,934,253 was not covered by Federal Deposit Insurance Corporation (FDIC). The FDIC covers up to \$250,000 per entity, per bank. However, this balance was fully collateralized per the terms of the Waiver of Security for Insured Deposits with Heritage Bank which provides insurance in excess of the FDIC limits.

**H. Cash and Cash Equivalent**

The Charter School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition, as applicable.

**I. Investments**

The Charter School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The Charter School held no investments at June 30, 2023.

**J. Accounts Receivable and Due from Grantor Governments**

*Receivables and Credit Policies*

Accounts receivables consist primarily of noninterest-bearing amounts due for program support services. Management has determined the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivables are written off when deemed uncollectable. As of June 30, 2023, there was no allowance for accounts receivable.

*Promises to Give and Grants Receivable*

When applicable, the Charter School records unconditional promises to give and grants receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and grants expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Charter School determines the allowance for uncollectable promises to give and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and grants receivable are written off when deemed uncollectable. As of June 30, 2023, the allowance for uncollectable accounts was zero and there was no discount applied as there were no promises to give or grants receivable outstanding.

**K. Capital Assets**

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	5-20
Buildings	30-50
Portable buildings	30
Building improvements	20
Furniture and fixtures	20
Playground equipment	5-20
Field and grounds equipment	3-20
Food services equipment	5-15
Transportation equipment	15
Telephone system	10
Vehicles	8-10
Computer system and equipment	3-5
Office equipment	5

**L. Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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M. Budget and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the Charter School's Board of Directors must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Charter School's Board of Directors satisfied these requirements.

N. Advertising Costs

The Charter School incurred \$4,544 in advertising costs during the year ended June 30, 2023.

O. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

P. Income Taxes

The Charter School is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3) and Section 23701(d) of the California Code, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3). The Charter School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Charter School is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

Q. Concentrations of Revenue

The Charter School has two major revenue resources that accounted for approximately 80% of revenue for the year ended June 30, 2023. The Charter School's LCFF funding comprised 38% of revenue and funding from the school facilities program comprised 42% of revenue.

R. Oversight

The Morgan Hill Unified School District receives 3% of the Charter School's annual total LCFF revenue for monitoring and supervisory responsibility.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and those differences could be material.

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**T. Implemented New Accounting Pronouncements**

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than twelve months. Management adopted ASC 842 using the modified retrospective transition method, under which amounts in prior period were not restated. For contracts existing at the time of adoption, the Charter School elected the package of practical expedients and did not reassess whether any existing or expired agreements contain leases, the lease classification for any expired or existing leases, and the initial direct costs for any expired or existing leases. This standard did not have a significant impact on the Charter School's financial statements as of June 30, 2023.

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash And Cash Equivalents	\$ 2,584,154
Accounts Receivable	1,626,007
Restricted Cash	12,871,328
Less:	
Net Assets with donor restrictions	(8,311,192)
Accounts Payable	(2,235,965)
Due to Other Governments	(284,432)
Total	\$ 6,249,900

**NOTE 3 - FAIR VALUE MEASUREMENTS AND DISCLOSURES**

The Charter School reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Charter School develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Charter School’s assessment of the quality, risk, or liquidity profile of the asset or liability. Management determined that the Charter School did not have any assets or liabilities required to be reported by the levels categorized above.

**NOTE 4 - ACCOUNTS RECEIVABLE**

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

In-lieu of property taxes	\$ 689,063
Special Education: IDEA Basic Local Assistance	213,394
Lottery	50,831
National School Lunch Program	28,837
Special Ed: Learning Recovery Support	120,788
CSMH Foundation	322,253
Arts, Music, and Instructional Materials Block	199,809
Other	1,032
Total Accounts Receivable	\$ 1,626,007

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital assets consisted of the following as of June 30, 2023:

Capital Assets	Balance July 01, 2022	Additions	Adjustments & Deletions	Balance June 30, 2023
Construction-in-progress - not depreciable	\$ 1,237,380	\$ 3,493,911	\$ -	\$ 4,731,291
Buildings and improvements	1,504,015	49,268	-	1,553,283
Furniture and equipment	63,661	-	-	63,661
Total capital assets	2,805,056	3,543,179	-	6,348,235
Less accumulated depreciation for:				
Buildings and improvements	481,765	72,857	-	554,622
Furniture and equipment	36,849	5,274	-	42,123
Total accumulated depreciation	518,614	78,131	-	596,745
Total capital assets - net depreciation	\$ 2,286,442	\$ 3,465,048	\$ -	\$ 5,751,490

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE 6 - ACCOUNTS PAYABLE**

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

Accounts payable	\$ 2,054,671
Payroll liabilities	138,306
Other accounts payable	<u>42,988</u>
Total accounts payable	<u>\$ 2,235,965</u>

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30, 2023:

Net Assets with Donor Restrictions	Amount
Subject to Expenditure for Specified Purpose:	
California Clean Energy Jobs Act	\$ 44,601
State Lottery	31,477
Learning Recovery Emergency Block Grant	97,288
Arts, Music, Instructional Materials Block Grant	395,404
Site Fundraising	54,065
Valley Foundation Grant	300,000
CSMH Foundation Grants	56,387
Low-Performing Students Block Grant	12,360
State School Lunch	17,413
Special Ed. Learning Recovery Support	27,137
KIT	123,147
Extended Learning Grant (Paras)	3,341
State Classified EE Block Grant	78,939
Other Local	14,712
Prop 51 Facilities Program	<u>7,054,921</u>
Total Net Assets with Donor Restrictions	<u>\$ 8,311,192</u>

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purpose or by other events specified by the donors as follows for the year ended June 30, 2023:

Net Assets Released from Restrictions	Amount
Satisfaction of Purpose Restrictions:	
Federal Special Education	\$ 123,790
Federal Lunch Program	76,379
Education Stabilization Fund	67,767
ELOP	73,996
Arts, Music, Instructional Materials Block Grant	14,289
Prop 51 Facilities Program	1,405
State Special Education	565,524
KIT	7,926
STRS on Behalf	351,615
Extended Learning Grant (Paras)	76,205
State School Lunch	244,234
State Classified EE Block Grant	40,866
Site Fundraising	36,052
State lottery	44,055
State IPI AB86 Grant	188,132
Other Local	30,140
CSMH Foundation Grants	297,678
Total Net Assets Released from Restrictions	\$ 2,240,053

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

The Charter School 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 will not be material.

**B. Commitments**

According to the Facility Use Agreement between the Board of Directors of the Charter School and the Board of Trustees of the Morgan Hill Unified School District, the Charter School shall pay the School District an amount equal to 3% of certain Charter School revenues which include revenues from LCFF Sources. Payment shall be made by the Charter School at the end of each fiscal year. In fiscal year 2023, the Charter School entered into an agreement with Delta Managed Solutions, Inc (DMS) for the period beginning on July 1, 2022 and ending on June 30, 2023. DMS provides business and administrative services for the Charter School for a minimum service fee of \$140,000. The Charter School entered into agreements with the contractors for projects related to school facilities program under Proposition 51.

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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C. Contingencies

The Charter School maintains a minimum reserve for contingencies which is based on a percentage of expenditures. For the fiscal year ended June 30, 2023, the Charter School maintained a minimum reserve of 3% of expenditures. The unrestricted net assets designated for operating reserves was \$263,336 at June 30, 2023.

D. Economic Dependency

During the year, the Charter School received \$6,552,687 in Local Control Funding Formula (LCFF) which was 38% of total revenue.

**NOTE 9 - LOAN PAYABLE**

On April 26, 2023, the Charter School entered into a funding agreement for the use of Charter School's facilities with State Allocation Board and the California School Finance Authority (individually or collectively referred to as the "State"). The State has provided as a grant funding for fifty percent of the approved costs for the facilities, and the Charter School is responsible for a Local Matching Share of the fifty percent. The loan repayment shall commence no later than one year after project occupancy (pursuant to Education Code Section 17078.57(a)(1)(D)), or 60 days after Board adoption of audit findings (pursuant to the School Facility Program (SFP) Section 1859.106) unless a repayment schedule has been established as provided by SFP Regulation Section 1859.106.1. The outstanding principal at June 30, 2023, was \$7,944,637.

**NOTE 10 – FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, and other personnel costs, which are allocated on the basis of total direct programmatic or functional costs.

**NOTE 11 - RETIREMENT PLANS**

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

***Plan Description and Provisions - State Teachers' Retirement System (STRS)***

*Plan Description.* The Charter School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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*Funding Policy.* Active plan members are required to contribute 10.205% for Tier 2, or 10.250% for Tier 1, of their salary and the Charter School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022-23 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter School's contribution to STRS for the fiscal years ending June 30, 2023, 2022 and 2021 were \$765,233, \$613,082 and \$503,521 and equals 100% of the required contributions for the year. The State contributed 10.87 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year, in the amount of \$351,615. Also, as a result of AB 1469, the additional State appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

***403(b) and 457(b) Retirement Plans***

All full time employees are allotted a supplement to cover medical insurance premiums. If employees waive those premiums because they are covered by other plans, or if their premiums are less than the supplement, the full amount or the balance is contributed into a 403b or 457b Retirement Plan or taken as ordinary income, based on the employee's choice.

***Supplementary Information***

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**ORGANIZATION (Unaudited)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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South Valley Charter School was established in August 2001, under an agreement with Morgan Hill Unified School District and is located in Morgan Hill, California. The Charter School is on record with the California Department of Education as the Charter School of Morgan Hill. Its charter number is 0363, and its certificate number is 6402179E. The Charter School operated one school during 2022-23 for grades kindergarten through eight. There are eight (8) members of the Governing Board.

<b>GOVERNING BOARD</b>
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<u>Name</u>	<u>Title</u>	<u>Term</u>	<u>Term Expiration</u>
Pete Settelmayer	Chairman	2 Years	August 2025
Heather Poore	Vice-Chairman	2 Years	August 2024
Shelly Guerrero	Secretary	2 Years	August 2024
Heather Allan	Director	2 Years	August 2025
Heather Bringetto	Director	2 Years	August 2025
Michelle Millard	Director	2 Years	August 2024
Garth Gilmour	Director	2 Years	August 2024
Corina Heiser	Representative	3 Years	August 2025

<b>ADMINISTRATION</b>
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<u>Name</u>	<u>Title</u>
Paige Cisewski	Executive Director

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	276.11	276.76	270.62	271.95
Grades four through six	211.42	213.08	207.67	208.26
Grades seven and eight	138.46	138.50	136.56	136.93
ADA Totals	625.99	628.34	614.85	617.14

**CHARTER SCHOOL OF MORGAN HILL  
(SOUTH VALLEY CHARTER SCHOOL)  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Grade Level	Minutes Requirements	2023 Actual Minutes	Scheduled Number of Days Traditional Calendar	Status
Kindergarten	36,000	60,000	180	In compliance
Grade 1	50,400	60,000	180	In compliance
Grade 2	50,400	60,000	180	In compliance
Grade 3	50,400	60,000	180	In compliance
Grade 4	54,000	60,000	180	In compliance
Grade 5	54,000	62,064	180	In compliance
Grade 6	54,000	62,064	180	In compliance
Grade 7	54,000	62,064	180	In compliance
Grade 8	54,000	62,064	180	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT**  
**TO THE AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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June 30, 2023 Annual Financial and Budget Report Fund Balance (Alternative Form)	\$ 11,576,760
Adjustments and Reclassifications:	
Accumulated depreciation	7,724
Accounts receivable	(16,916)
Loan payable	<u>689,971</u>
June 30, 2023 Audited Financial Statements Fund Balance / Net Assets	<u><u>\$ 12,257,539</u></u>

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**PURPOSE OF SCHEDULES**

Schedule of Average Daily Attendance

Average daily attendance is a measurement of pupils attending classes at 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.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of Education Code Sections 47612 through 47612.5.

Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

***Other Independent  
Auditor's Reports***



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
of South Valley Charter School  
Morgan Hill, 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 the South Valley Charter School (the Charter School), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

Our consideration of internal control over financial reporting 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 may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct



and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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

C & A LLP

Morgan Hill, California  
December 20, 2023



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Directors  
of South Valley Charter School  
Morgan Hill, California

### ***Report on State Compliance***

#### ***Opinion***

We have audited the South Valley Charter School (the Charter School) compliance with the types of State compliance requirements described in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the Charter School's State Programs identified below for the year ended June 30, 2023.

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2023.

#### ***Basis for Opinion on State Compliance Requirements***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Governmental Auditing Standards*); and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of the report.

We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of the Charter School's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Charter School's state programs.



***Auditor’s Responsibilities for the Audit of State 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 the Charter Schools compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Governmental Auditing Standards*, and *the Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting 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 aggregate, it would influence the judgement made by a reasonable use of the report on compliance about the Charter School’s compliance with the requirements of applicable state programs as a whole.

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

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

2022-23 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	N/A
Teacher Certification and Misassignments	N/A
Kindergarten Continuance	N/A
Independent Study	N/A
Continuation Education	N/A
Instructional Time	N/A



2022-23 K-12 Audit Guide Procedures	Procedures Performed
Instructional Materials	N/A
Ratio of Administrative Employees to Teachers	N/A
Classroom Teacher Salaries	N/A
Early Retirement Incentive	N/A
Gann Limit Calculation	N/A
School Accountability Report Card	N/A
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	N/A
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Job Acts	Yes
After School Education and Safety Program:	
General Requirements	N/A
Requirements	N/A
Before School	N/A
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	N/A
Immunizations	N/A
Educator Effectiveness	Yes
Expanded Learning Opportunities	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter School	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

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



## Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

C & A LLP

Morgan Hill, California  
December 20, 2023

## ***Findings and Recommendations***

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	<b><u>Unmodified</u></b>	
Internal control over financial reporting:		
Material weaknesses?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	___X___ None Reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

South Valley Charter School did not spend or incur expenditures of \$750,000 or more in federal awards.

State Awards

Internal control over State Programs:		
Material weaknesses?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	___X___ None Reported
Type of auditor's report issued on compliance over State Programs:	<b><u>Unmodified</u></b>	

**Section II - Financial Statement Findings**

No findings noted.

**Section III - Federal Award Findings and Questioned Costs**

No findings noted.

**Section IV - State Award Findings and Questioned Costs**

No findings noted.

**CHARTER SCHOOL OF MORGAN HILL**  
**(SOUTH VALLEY CHARTER SCHOOL)**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section II - Financial Statement Findings**

No findings noted.

**Section III - Federal Award Findings and Questioned Costs**

No findings noted.

**Section IV - State Award Findings and Questioned Costs**

No findings noted.