



**PACIFIC CHARTER INSTITUTE
DBA HERITAGE PEAK CHARTER SCHOOL
RIO VALLEY CHARTER SCHOOL
VALLEY VIEW CHARTER PREP AND
SUTTER PEAK CHARTER ACADEMY
(A CALIFORNIA NON-PROFIT PUBLIC
BENEFIT CORPORATION)**

**COUNTY OF SACRAMENTO
SACRAMENTO, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2021**

JAMES MARTA & Co. LLP

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PACIFIC CHARTER INSTITUTE
(A California Non-Profit Public Benefit Corporation)

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(A California Non-Profit Public Benefit Corporation)

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pacific Charter Institute
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific Charter Institute (a California Non-Profit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Managements Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Charter Institute as of June 30, 2021, 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.

Other Matters

Supplementary Information

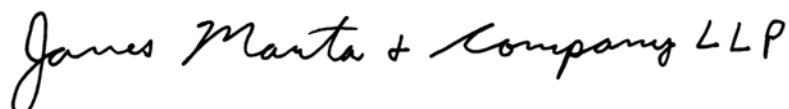
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by the July 2021 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other accompanying supplementary information also listed in the table of contents, includes schedules as required by the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021 on our consideration of Pacific Charter Institute’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 Pacific Charter Institute’s internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 6, 2021

FINANCIAL STATEMENTS

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT BENEFIT CORPORATION)**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Current assets	
Cash and cash equivalents	\$ 4,019,853
Accounts receivable	10,270,338
Prepaid expenses	<u>407,732</u>
Total current assets	<u>14,697,923</u>
Noncurrent assets	
Fixed assets, net	<u>376,211</u>
Total assets	<u>\$ 15,074,134</u>

**LIABILITIES AND
NET ASSETS**

Liabilities	
Accounts payable and accrued expenses	\$ 3,153,266
Unearned revenue	<u>67,201</u>
Total liabilities	<u>3,220,467</u>
Net assets	
With restrictions	1,183,015
Without restrictions	<u>10,670,652</u>
Total net assets	<u>11,853,667</u>
Total liabilities and net assets	<u>\$ 15,074,134</u>

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NET ASSETS WITHOUT RESTRICTIONS

Revenues		
State revenue		
State aid portion of general purpose funding	\$	25,161,094
State lottery revenue		502,562
Mandated cost reimbursements		80,424
All other		11,012
Local revenue		
Cash in-lieu of property taxes		3,646,030
All other		10,697
Net assets released from restrictions		<u>4,616,592</u>
Total revenues		<u>34,028,411</u>
Expenses		
Instruction		23,213,121
Instruction-related services		7,071,316
Pupil services		266
Plant services		1,465,207
Other outgo		<u>780,000</u>
Total expenses		<u>32,529,910</u>
Change in Net Assets without restrictions		1,498,501

NET ASSETS WITH RESTRICTIONS

Federal revenue		1,180,550
State lottery revenue		216,246
Other state revenue		2,735,201
All other local revenue		1,667,610
Net assets released from restrictions		<u>(4,616,592)</u>
Change in net assets with restrictions		<u>1,183,015</u>
Change in net assets		2,681,516
Net assets, beginning of period		<u>9,172,151</u>
Net assets, end of period	\$	<u>11,853,667</u>

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Instruction	Instruction Related Services	Pupil Services	Plant services	Other outgo	Totals
Expenses						
Certificated salaries	\$ 11,730,829	\$ 1,374,539	\$ -	\$ -	\$ -	\$ 13,105,368
Classified salaries	89,489	2,294,123	-	-	-	2,383,612
Employee benefits	4,668,767	1,541,821	-	-	-	6,210,588
Books and supplies	3,265,093	221,587	266	2,405	-	3,489,351
Services and other operating expenditures	3,458,943	1,639,246	-	1,320,606	-	6,418,795
Other outgo	-	-	-	-	780,000	780,000
Depreciation	-	-	-	142,196	-	142,196
Total expenses	<u>\$ 23,213,121</u>	<u>\$ 7,071,316</u>	<u>\$ 266</u>	<u>\$ 1,465,207</u>	<u>\$ 780,000</u>	<u>\$ 32,529,910</u>

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net Cash Flows Provided (Used) by Operating Activities	
Change in net assets	\$ 2,681,516
Reconciliation to net cash provided by operating activities:	
Depreciation	142,196
Changes in:	
Accounts receivable	(3,794,547)
Prepaid expense	(197,690)
Accounts payable	2,120,679
Unearned revenue	67,201
Net cash provided (used) by operating activities	<u>1,019,355</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,019,355
Cash and Cash Equivalents, beginning of year	<u>3,000,498</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 4,019,853</u></u>

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Pacific Charter Institute (the “Charter School”) is organized as a 501(c)(3) corporation. Pacific Charter Institute manages four individual charter schools: Heritage Peak Charter School, Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy. In 2005, 2010, 2014, and 2015, the State Board of Education granted charter school status to Heritage Peak Charter School, Rio Valley Charter School, Valley View Charter Prep, and Sutter Peak Charter Academy respectively, through the authority established in Education Code Section 47605 (Senate Bill 1448, Statutes of 1992, Chapter 781). The State Board of Education can revoke the Charter School's charter if Twin Rivers Unified School District, Lodi Unified School District, New Jerusalem Elementary School District or Nuestro School District, the Charter School's sponsoring Districts, determines that the Charter School did any of the following:

- Committed a material violation of any of the conditions, standards or procedures set forth in the charter petition.
- Failed to meet or pursue any of the pupil outcomes identified in the charter petition.
- Failed to meet generally accepted accounting standards of fiscal management.
- Violated any provision of law.

The Board of Directors is the level of government which has governance responsibilities over all activities related to public elementary school education in the Charter School. The Board is not included in any governmental “reporting entity” as defined by the Governmental Accounting Standards Board, since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the Charter School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without restrictions: Net assets that are not subject to restrictions by an outside entity and may be expended for any purpose in performing the primary objectives of the Charter School. These net assets may be used at the discretion of the Charter School's management and the board of directors.

Net assets with restrictions: Net assets subject to stipulations imposed by outside funders. Some restrictions are temporary in nature; those restrictions will be met by actions of the Charter or by the passage of time. Other restrictions are perpetual in nature, where by the outside party has stipulated the funds be maintained in perpetuity.

Restricted income is reported as increases in net assets with restrictions. When a restriction expires, net assets are reclassified from net assets with restrictions to net assets without restrictions in the statements of activities.

The Charter School had \$1,183,015 net assets with restrictions or endowments at June 30, 2021.

C. REVENUE RECOGNITION

Contributions and grants are recognized in full when received or unconditionally promised. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statement of activities as net assets released from restrictions, when time restrictions expire or the contributions are used for the restricted purpose. Conditional promises to give, which depend on the occurrence of specified future and uncertain events, are not recorded until the conditions are met. Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which is generally upon the incurrence of expenditures related to the required services.

Donated materials, equipment, and professional services are recorded as in-kind contributions and recognized at the estimated fair value as of the date of donation or service. Contributed services are recorded when they create or enhance non-financial assets or require a specialized skill that the Charter School would otherwise need to purchase.

D. CASH AND CASH EQUIVALENTS

The Charter School considers investments with maturity at purchase of three months or less to be cash equivalents.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ACCOUNTS RECEIVABLE

Management provides for uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. It is estimated that all of the accounts receivable will be collected; accordingly, no allowance for doubtful accounts has been established.

F. PREPAID EXPENSES

Certain expenses are treated as prepaid at June 30, 2021. This is to reflect a proper matching of expenses for the year-end financial statements

G. UNEARNED REVENUE

Revenues from federal, state, and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned. There was unearned revenue of \$67,201 at June 30, 2021.

H. CAPITAL ASSETS

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

I. COMPENSATED ABSENCES

At June 30, 2021, the Charter School had no liability for accumulated unpaid employee vacation benefits.

J. ACCUMULATED SICK LEAVE

At June 30, 2021, the Charter School had no liability for accumulated sick leave benefits. The Charter School's policy is to record sick leave as an operating expenditure in the period taken, since benefits do not vest.

K. INCOME TAXES

The organization is organized pursuant to General Nonprofit Law of the State of California and is exempt from State and Federal income taxes under I.R.C. Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated between the functional areas based on management estimates of employees' time incurred and on resource usage.

M. 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

N. SUBSEQUENT EVENTS

The Charter School's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2021 through December 6, 2021, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2021 consisted of cash in the bank totaling \$4,019,853.

Cash balances held in banks are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. Amounts held in banks in excess of FDIC as of June 30, 2021 were \$4,566,888.

Interest Rate Risk. Pacific Charter Institute does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the Charter School had no significant interest rate risk related to cash held.

Credit Risk. Pacific Charter Institute does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk. The Charter School does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the Charter School held all of its cash in Wells Fargo Bank.

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

3. LIQUIDITY

The following represents the Charter School's financial assets at June 30, 2021:

Financial assets at year end:

Cash and cash equivalents	\$ 4,019,853
Accounts receivable	<u>10,270,338</u>
Total Financial Assets	14,290,191
Less assets with restrictions	<u>(1,183,015)</u>
Financial assets available to meet general expenditures over the next twelve months from June 30.	<u>\$ 13,107,176</u>

The Charter School's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$5,500,000).

4. PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions and Transfers	Deductions and Transfers	Balance June 30, 2021
Depreciable assets:				
Sites and improvements	\$ 848,238	\$ -	\$ -	\$ 848,238
Furniture and equipment	<u>411,840</u>	<u>-</u>	<u>-</u>	<u>411,840</u>
Total depreciable assets	<u>1,260,078</u>	<u>-</u>	<u>-</u>	<u>1,260,078</u>
Accumulated depreciation:				
Sites and improvements	(558,240)	(91,334)	-	(649,574)
Furniture and equipment	<u>(183,431)</u>	<u>(50,862)</u>	<u>-</u>	<u>(234,293)</u>
Total accumulated depreciation	<u>(741,671)</u>	<u>(142,196)</u>	<u>-</u>	<u>(883,867)</u>
Capital assets, net	<u>\$ 518,407</u>	<u>\$ (142,196)</u>	<u>\$ -</u>	<u>\$ 376,211</u>

Depreciation expense was \$142,196 for the year ended June 30, 2021.

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

5. COMMITMENTS AND CONTINGENCIES

Pacific Charter Institute 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 disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

6. EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS):

Plan Description

Pacific Charter Institute contributes to the California State Teachers' Retirement Systems (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirements, disability, and survivor benefits to beneficiaries. Benefit provision are established by state statutes, as legislatively amended, with 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, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary and Pacific Charter Institute is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for the fiscal year 2020-2021 was 16.15% of annual payroll. Pacific Charter Institute's contributions to CalSTRS for the fiscal years ended June 30, 2021, 2020 and 2019 were \$3,259,582, \$3,463,425 and \$3,206,114, respectively, and equal 100% of the required contributions for each year.

California Public Employees' Retirement System (CalPERS):

Plan Description

Pacific Charter Institute contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

6. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and Pacific Charter Institute is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2020-2021 was 20.70% of annual payroll. The Charter School's contributions to CalPERS for the fiscal years ended June 30, 2021, 2020 and 2019 were \$363,478, \$327,800 and \$366,794, respectively, and equal 100% of the required contributions for each year.

401(k) Plan

The Charter School offers its employees a salary deferral 401(k) Plan. The Plan is available to all employees meeting certain age and length of service requirements. Under the Plan, employees can defer a selected portion of their annual compensation and the Charter School offers a match of 25% of contributions up to 4% of the annual compensation. The Charter School's contributions for the years ended June 30, 2021, 2020 and 2019 were \$137,250, \$120,536, and \$116,939 respectively.

7. OPERATING LEASES

The Charter School has entered into equipment and facility operating leases with lease terms in excess of one year. The following is a schedule of future minimum lease payments as of June 30, 2021:

Year Ended	
June 30,	Payments
2022	\$ 890,159
2023	635,351
2024	434,951
2025	142,629
2026	118,097
Total	<u>\$ 2,221,187</u>

Rent expense for all operating leases totaled \$938,537 for the year ended June 30, 2021.

8. RELATED PARTY TRANSACTIONS

Pacific Charter Institute, a California non-profit 501(c)(3) public benefit corporation, oversees Heritage Peak Charter School, Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy. Heritage Peak Charter School provided administrative services to Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy, which were charged at cost. The amounts charged by Heritage Peak Charter School to Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy were \$1,128,407, \$839,777 and \$793,046, respectively. At June 30, 2021, there are no amounts due from Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy to Heritage Peak Charter School.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

9. SCHOLARSHIP FUND

The Charter School acts as trustee of funds held for the purpose of awarding scholarships to Charter School graduates. The scholarship fund is not property of the Charter School and is not included in the statement of financial position. The balance of the scholarship fund was \$60,196 at June 30, 2021.

SUPPLEMENTARY INFORMATION

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**HERITAGE PEAK CHARTER SCHOOL
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local control funding formula sources	\$ 9,857,237	\$ 10,132,826	\$ 10,048,491	\$ (84,335)
Federal revenue	261,023	1,162,031	557,351	(604,680)
Other state revenues	276,531	1,079,846	1,498,005	418,159
Other local revenues	<u>504,161</u>	<u>504,161</u>	<u>431,153</u>	<u>(73,008)</u>
Total Revenues	<u>10,898,952</u>	<u>12,878,864</u>	<u>12,535,000</u>	<u>(343,864)</u>
EXPENDITURES				
Certificated salaries	6,369,175	6,433,187	6,792,174	(358,987)
Classified salaries	469,593	469,593	1,913,146	(1,443,553)
Employee benefits	2,143,914	2,065,425	3,509,150	(1,443,725)
Books and supplies	1,053,150	1,390,740	1,334,642	56,098
Services and other operating expenditures	1,423,150	1,423,150	3,007,556	(1,584,406)
Capital outlay	-	-	-	-
Other outgo	<u>(506,795)</u>	<u>(515,419)</u>	<u>(4,775,664)</u>	<u>4,260,245</u>
Total Expenditures	<u>10,952,187</u>	<u>11,266,676</u>	<u>11,781,004</u>	<u>(514,328)</u>
Net change in fund balances	(53,235)	1,612,188	753,996	(858,192)
Fund balances, July 1, 2020	<u>4,000,494</u>	<u>4,212,539</u>	<u>4,212,537</u>	<u>(2)</u>
Fund balances, June 30, 2021	<u>\$ 3,947,259</u>	<u>\$ 5,824,727</u>	<u>\$ 4,966,533</u>	<u>\$ (858,194)</u>

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**RIO VALLEY CHARTER SCHOOL
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local control funding formula sources	\$ 7,759,780	\$ 8,135,112	\$ 8,124,006	\$ (11,106)
Federal revenue	177,846	903,465	390,072	(513,393)
Other state revenues	215,811	860,049	930,352	70,303
Other local revenues	411,541	430,137	517,726	87,589
Total Revenues	<u>8,564,978</u>	<u>10,328,763</u>	<u>9,962,156</u>	<u>(366,607)</u>
EXPENDITURES				
Certificated salaries	2,972,941	2,972,941	2,954,117	18,824
Classified salaries	197,427	197,427	202,099	(4,672)
Employee benefits	1,115,091	1,115,091	1,368,543	(253,452)
Books and supplies	743,450	997,491	906,633	90,858
Services and other operating expenditures	1,397,450	1,397,450	1,318,469	78,981
Capital outlay	-	-	-	-
Other outgo	2,195,457	2,265,914	2,388,699	(122,785)
Total Expenditures	<u>8,621,816</u>	<u>8,946,314</u>	<u>9,138,560</u>	<u>(192,246)</u>
Net change in fund balances	<u>(56,838)</u>	<u>1,382,449</u>	<u>823,596</u>	<u>(558,853)</u>
Fund balances, July 1, 2020	<u>2,882,314</u>	<u>2,612,464</u>	<u>2,612,464</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ 2,825,476</u>	<u>\$ 3,994,913</u>	<u>\$ 3,436,060</u>	<u>\$ (558,853)</u>

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**VALLEY VIEW CHARTER PREP
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local control funding formula sources	\$ 5,532,215	\$ 5,380,306	\$ 5,378,075	\$ (2,231)
Federal revenue	85,375	115,119	119,636	4,517
Other state revenues	161,541	566,625	573,368	6,743
Other local revenues	370,869	367,916	377,191	9,275
Total Revenues	<u>6,150,000</u>	<u>6,429,966</u>	<u>6,448,270</u>	<u>18,304</u>
EXPENDITURES				
Certificated salaries	1,725,376	1,673,976	1,661,348	12,628
Classified salaries	178,476	178,476	172,512	5,964
Employee benefits	628,915	599,868	722,776	(122,908)
Books and supplies	970,050	956,091	641,526	314,565
Services and other operating expenditures	1,212,550	1,115,350	1,270,239	(154,889)
Capital outlay	-	-	-	-
Other outgo	1,428,848	1,485,471	1,575,518	(90,047)
Total Expenditures	<u>6,144,214</u>	<u>6,009,232</u>	<u>6,043,919</u>	<u>(34,687)</u>
Net change in fund balances	5,786	420,734	404,351	(16,383)
Fund balances, July 1, 2020	<u>639,925</u>	<u>438,695</u>	<u>438,695</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ 645,711</u>	<u>\$ 859,429</u>	<u>\$ 843,046</u>	<u>\$ (16,383)</u>

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**SUTTER PEAK CHARTER ACADEMY
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Local control funding formula sources	\$ 5,245,421	\$ 5,277,515	\$ 5,256,552	\$ (20,963)
Federal revenue	78,250	109,279	113,491	4,212
Other state revenues	151,028	553,844	543,720	(10,124)
Other local revenues	339,918	348,232	352,237	4,005
Total Revenues	<u>5,814,617</u>	<u>6,288,870</u>	<u>6,266,000</u>	<u>(22,870)</u>
EXPENDITURES				
Certificated salaries	1,647,747	1,687,747	1,697,729	(9,982)
Classified salaries	95,855	95,855	95,855	-
Employee benefits	480,451	467,491	610,119	(142,628)
Books and supplies	1,000,100	1,017,226	606,550	410,676
Services and other operating expenditures	1,057,350	986,800	822,531	164,269
Capital outlay	-	-	-	-
Other outgo	1,507,818	1,521,420	1,591,447	(70,027)
Total Expenditures	<u>5,789,321</u>	<u>5,776,539</u>	<u>5,424,231</u>	<u>352,308</u>
Net change in fund balances	25,296	512,331	841,769	329,438
Fund balances, July 1, 2020	<u>1,466,048</u>	<u>1,390,046</u>	<u>1,390,046</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ 1,491,344</u>	<u>\$ 1,902,377</u>	<u>\$ 2,231,815</u>	<u>\$ 329,438</u>

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

ORGANIZATION

JUNE 30, 2021

Pacific Charter Institute, a California non-profit 501(c)(3) public benefit corporation, oversees Heritage Peak Charter School, Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy. Heritage Peak Charter School, Rio Valley Charter School, Valley View Charter Prep and Sutter Peak Charter Academy were established in 2005, 2010, 2014 and 2015, respectively, through authority established in Education Code Section 47605. Each charter school offers K-12 non site-based instruction. Heritage Peak Charter School is sponsored by Twin Rivers Unified School District, Rio Valley Charter School is sponsored by Lodi Unified School District, Valley View Charter Prep is sponsored by New Jerusalem Elementary School District and Sutter Peak Charter Academy is sponsored by Nuestro School District.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Rex Fortune	President	2023
Judy Miller	Vice President	2023
Beth Kay	Secretary	2022
Joshua Modlin	Treasurer	2022
Jean-Paul Prentice	Member	2022
Beth Kay	Member	2023

ADMINISTRATION

Paul Keefer, Ed. D.
Executive Director

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Grade Level</u>	<u>Instructional Days</u>	<u>Status</u>
Kindergarten		Not Applicable
Grade 1		Not Applicable
Grade 2		Not Applicable
Grade 3		Not Applicable
Grade 4		Not Applicable
Grade 5		Not Applicable
Grade 6		Not Applicable
Grade 7		Not Applicable
Grade 8		Not Applicable
Grade 9		Not Applicable
Grade 10		Not Applicable
Grade 11		Not Applicable
Grade 12		Not Applicable

This schedule is not applicable to Pacific Charter Institute since they do not have any classroom based instruction.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Adopted Budget 2021-22</u>	<u>Actuals 2020-21</u>	<u>Actuals 2019-20</u>	<u>Actuals 2018/19</u>
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 33,573,281	\$ 35,211,429	\$ 33,268,552	\$ 32,982,030
Expenditures	36,035,433	32,387,716	33,075,375	29,893,208
Change in Fund Balance	(2,462,152)	2,823,713	193,177	3,088,822
Ending Fund Balance	\$ 9,015,305	\$ 11,477,457	\$ 8,653,744	\$ 8,460,567
Available Reserves	\$ 8,991,392	\$ 9,887,324	\$ 8,443,701	\$ 7,986,181
Reserve for Economic Uncertainties	\$ 1,801,773	\$ 1,619,386	\$ 1,653,770	\$ 1,441,172
Unappropriated Fund Balance	\$ 7,189,619	\$ 8,267,938	\$ 6,789,931	\$ 6,545,009
Available Reserves as a Percentage of Total Outgo	25.0%	30.5%	25.5%	26.7%
<u>All Funds</u>				
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -
Actual Daily Attendance at P-2	3,091	3,065	3,065	2,988

The general fund balance has increased by \$6,105,712 over the past three years. The Charter School budget projects a decrease of \$2,462,152 for the fiscal year ending June 30, 2022. The State of California has not established reserve requirements for Charter Schools. However, the Board of Directors believes that an available reserve of 5 percent is prudent for the Charter School in this instance.

The District has incurred an operating surplus in each of the past three years and anticipates incurring an operating deficit during the fiscal year 2021/22.

The Charter School had no long-term liabilities over the past three years.

Average Daily Attendance (ADA) has increased by 77 over the past two years. The District anticipates an increase of 26 ADA for the fiscal year 2021/22.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

No audit adjustments were made to any funds of the Charter School.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<u>Charter Schools Chartered by the Charter School</u>	<u>Included in the Charter School Financial Statements</u>	<u>or Separate Report Charter School Number</u>
Pacific Charter Institute does not sponsor any charter schools	Not applicable	Not applicable

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Assistance Listing Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
84.010	ESSA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 445,848
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	222,900
84.425	Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	* 310,528
<u>U.S. Department of the Treasury</u>			
<i>Passed through California Department of Education</i>			
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation	25516	* 201,274
	Total Federal Programs		<u>\$ 1,180,550</u>

* - Tested as major program.

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	<u>Heritage Peak Charter School</u>	<u>Rio Valley Charter School</u>	<u>Valley View Charter Prep</u>	<u>Sutter Peak Charter School</u>	<u>Totals</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,420,410	\$ 718,585	\$ (1,194,657)	\$ 75,515	\$ 4,019,853
Accounts receivable	2,348,554	3,671,043	2,090,351	2,160,390	10,270,338
Prepaid expenses	155,670	125,046	59,977	67,039	407,732
Total current assets	<u>6,924,634</u>	<u>4,514,674</u>	<u>955,671</u>	<u>2,302,944</u>	<u>14,697,923</u>
Noncurrent assets					
Fixed assets, net	268,184	33,267	44,484	30,276	376,211
Total assets	<u>\$ 7,192,818</u>	<u>\$ 4,547,941</u>	<u>\$ 1,000,155</u>	<u>\$ 2,333,220</u>	<u>\$ 15,074,134</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 1,890,900	\$ 1,078,613	\$ 112,625	\$ 71,128	\$ 3,153,266
Unearned revenue	67,201	-	-	-	67,201
Total liabilities	<u>1,958,101</u>	<u>1,078,613</u>	<u>112,625</u>	<u>71,128</u>	<u>3,220,467</u>
Net assets					
With donor restrictions	414,963	350,315	210,489	207,248	1,183,015
Without restrictions	4,819,754	3,119,013	677,041	2,054,844	10,670,652
Total net assets	<u>5,234,717</u>	<u>3,469,328</u>	<u>887,530</u>	<u>2,262,092</u>	<u>11,853,667</u>
Total liabilities and net assets	<u>\$ 7,192,818</u>	<u>\$ 4,547,941</u>	<u>\$ 1,000,155</u>	<u>\$ 2,333,220</u>	<u>\$ 15,074,134</u>

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Heritage Peak Charter School	Rio Valley Charter School	Valley View Charter Prep	Sutter Peak Charter School	Totals
NET ASSETS WITHOUT RESTRICTIONS					
Revenues					
State revenue					
State aid portion of general purpose funding	\$ 8,380,079	\$ 6,429,916	\$ 5,293,417	\$ 5,057,682	\$ 25,161,094
State lottery revenue	182,880	141,691	105,452	72,539	502,562
Mandated cost reimbursements	29,400	24,767	13,065	13,192	80,424
All other	3,137	3,342	1,596	2,937	11,012
Local revenue					
Cash in-lieu of property taxes	1,668,412	1,694,090	84,658	198,870	3,646,030
All other	2,080	4,745	3,872	-	10,697
Net assets released from restrictions	1,854,049	1,313,290	735,721	713,532	4,616,592
Total revenues	<u>12,120,037</u>	<u>9,611,841</u>	<u>6,237,781</u>	<u>6,058,752</u>	<u>34,028,411</u>
Expenses					
Instruction	9,798,985	5,652,472	4,111,872	3,649,792	23,213,121
Instruction-related services	6,240,079	382,850	282,148	166,239	7,071,316
Pupil services	-	266	-	-	266
Plant services	614,790	736,992	85,986	27,439	1,465,207
Other outgo	(4,775,664)	2,388,699	1,575,518	1,591,447	780,000
Total expenses	<u>11,878,190</u>	<u>9,161,279</u>	<u>6,055,524</u>	<u>5,434,917</u>	<u>32,529,910</u>
Change in net assets without restrictions	241,847	450,562	182,257	623,835	1,498,501
NET ASSETS WITH RESTRICTIONS					
Federal revenue	557,351	390,072	119,636	113,491	1,180,550
State lottery revenue	76,951	60,607	45,024	33,664	216,246
Other state revenue	1,205,637	699,945	408,231	421,388	2,735,201
All other local revenue	429,073	512,981	373,319	352,237	1,667,610
Net assets released from restrictions	(1,854,049)	(1,313,290)	(735,721)	(713,532)	(4,616,592)
Change in net assets with restrictions	<u>414,963</u>	<u>350,315</u>	<u>210,489</u>	<u>207,248</u>	<u>1,183,015</u>
Change in net assets	656,810	800,877	392,746	831,083	2,681,516
Net assets, beginning of period	4,577,907	2,668,451	494,784	1,431,009	9,172,151
Net assets, end of period	<u>\$ 5,234,717</u>	<u>\$ 3,469,328</u>	<u>\$ 887,530</u>	<u>\$ 2,262,092</u>	<u>\$ 11,853,667</u>

PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)

BALANCE SHEET – FUND BASIS
JUNE 30, 2021

ASSETS	
Cash and cash equivalents	\$ 4,019,853
Accounts receivable	10,270,338
Prepaid expenses	<u>407,732</u>
Total Assets	<u>\$ 14,697,923</u>

LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 3,153,266
Unearned revenue	<u>67,201</u>
Total Liabilities	<u>3,220,467</u>
Fund balance	<u>11,477,456</u>
Total Liabilities and Fund Balance	<u>\$ 14,697,923</u>

**RECONCILIATION OF THE FUND BASIS BALANCE SHEET
TO THE STATEMENT OF FINANCIAL POSITION**
JUNE 30, 2021

Total Fund Balance - Fund Basis	\$ 11,477,456
Amounts reported for fund basis activities in the statement of financial position are difference because:	
Capital assets, net of depreciation, used for fund basis activities are not financial resources and, therefore, are not reported as assets in the fund basis statements.	<u>376,211</u>
Total Net Assets - GAAP Basis	<u>\$ 11,853,667</u>

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
FUND BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Revenues:

LCFF sources	\$ 28,807,124
Federal revenue	1,180,550
Other state revenue	3,545,445
Other local revenue	1,678,307
Total revenues	35,211,426

Expenditures:

Certificated salaries	13,105,368
Classified salaries	2,383,612
Employee benefits	6,210,588
Books and supplies	3,489,351
Contract services and operating expenditures	6,418,795
Other outgo	780,000
Total expenditures	32,387,714
Change in fund balance	2,823,712
Fund balance July 1, 2020	8,653,744
Fund balance June 30, 2021	\$ 11,477,456

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - FUND BASIS - TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balance - Total Fund Basis	\$ 2,823,712
Amounts reported for fund basis activities in the statement of activities are difference because:	
Depreciation of capital assets is an expense that is not recorded in the fund basis statements	(142,196)
Change in net assets - GAAP basis	\$ 2,681,516

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. PURPOSE OF STATEMENTS AND SCHEDULES

A. Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual

This schedule provides the original budget, final budget and any variance between the final budget and the actual revenues and expenditures of the general fund, as reported in the Annual Financial and Budget Report.

B. Schedule of Instructional Time

School Districts may receive incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. 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 46200 through 46206. This section does not apply to non-classroom based charter schools.

C. Schedule of Financial Trends and Analysis

This schedule discloses the Charter School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the Charter School's ability to continue as a going concern for a reasonable period of time.

D. Reconciliation of Annual Financial and Budget Report with 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.

E. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**PACIFIC CHARTER INSTITUTE
(A CALIFORNIA NON-PROFIT PUBLIC BENEFIT CORPORATION)**

**NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

F. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. The July 2021 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

G. Combing Statement of Financial Position and Combining Statement of Activities

The accompanying combining financial statements are presented to assist users in evaluating the financial performance of each of Pacific Charter Institute's individual charter schools.

H. Reconciliations of State Reporting to GAAP Reporting

The accompanying reconciliations of the fund basis balance sheet and fund basis statement of revenues, expenditures and changes in fund balance to the GAAP reporting is presented to assist users in identifying differences between the GAAP reporting and fund balances as reported in the Annual Financial and Budget Report.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of School Districts that adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. This section does not apply to charter schools.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP
Certified Public Accountants
Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Board of Directors
Pacific Charter Institute
Sacramento, California

Report on Compliance for Each State Program

We have audited the compliance of Pacific Charter Institute with the types of compliance requirements described in the State of California's 2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2021.

Management's Responsibility

Compliance with the applicable compliance requirements is the responsibility of Pacific Charter Institute's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Pacific Charter Institute's compliance with the applicable compliance requirements based on our audit.

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 State of California's 2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Pacific Charter Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Attendance and Distance Learning	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Instructional Time	Not applicable
Instructional Materials	Not applicable
General Requirements	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
Gann Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
K-3 Grade Span Adjustment	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable

School Districts, County Offices of Education, and Charter Schools

Description	Procedures Performed
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

Charter Schools

Description	Procedures Performed
Independent Study-Course Based	No, see below
Attendance	Yes
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Charter School Facility Grant Program	No, see below

We did not perform any procedures relating to Local Education Agencies Other Than Charter Schools, because these sections do not apply to Charter Schools.

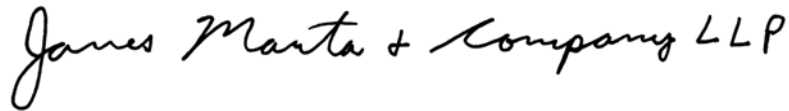
We did not perform any procedures related to the Charter School Facility Grant Program or California Clean Energy Jobs Act because the Charter School did not have any expenditures under these programs.

We did not perform any testing of Independent Study-Course Based for Charter School because it was not material to the audit.

The Charter School does not have any classroom based instruction; therefore, we did not perform any procedures related to Mode of Instruction or Annual Instructional Minutes - Classroom Based.

Opinion

In our opinion, Pacific Charter Institute complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2021.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 6, 2021



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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 AUDITOR'S REPORT

Board of Directors
Pacific Charter Institute
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Pacific Charter Institute, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

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

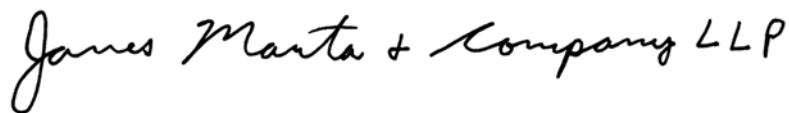
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pacific Charter Institute’s financial statements are free of 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 determination of financial statement amounts. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 6, 2021



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Education
Pacific Charter Institute
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Pacific Charter Institute's compliance with the types of compliance requirements described in the July 2021 Edition of the *OMB Compliance Supplement* that could have a direct and material effect on each of Pacific Charter Institute's major federal programs for the year ended June 30, 2021. Pacific Charter Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pacific Charter Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the July 2021 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pacific Charter Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pacific Charter Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, Pacific Charter Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

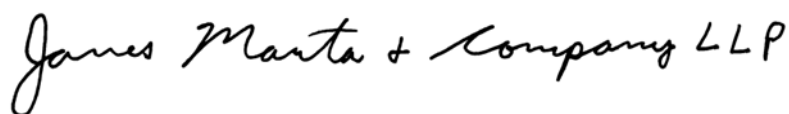
Internal Control Over Compliance

Management of Pacific Charter Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pacific Charter Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pacific Charter Institute's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 6, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PACIFIC CHARTER INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
 noted? _____ Yes X No

Federal Awards

Type of auditor’s report issued on compliance
 for major programs: Unmodified

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to
 be reported in accordance with the Uniform
 Guidance, Section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Elementary and Secondary School Emergency Relief (ESSER) Fund
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to distinguish between
 Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance
 for state programs: Unmodified

PACIFIC CHARTER INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – State Award Findings and Questioned Costs

No matters were reported

PACIFIC CHARTER INSTITUTE
PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Findings and Recommendation</u>	<u>Current Status</u>	<u>Explanation If Not Implemented</u>
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No matters were reported.