

**URBAN CHARTER  
SCHOOLS COLLECTIVE**

**YAV PEM SUAB ACADEMY  
CHARTER SCHOOL # 1186**

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

**YEARS ENDED  
JUNE 30, 2023 AND 2022**

# URBAN CHARTER SCHOOLS COLLECTIVE

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Urban Charter Schools Collective  
Sacramento, California**

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

#### ***Opinion***

We have audited the accompanying financial statements of Urban Charter Schools Collective (UCSC), a California non-profit public benefit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UCSC as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audits 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; and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 UCSC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 UCSC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements 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 generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 generally accepted auditing standards, *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 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 UCSC'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 UCSC'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 accompanying Supplementary Information, as listed in the Table of Contents, as required by the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of UCSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UCSC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCSC's internal control over financial reporting and compliance.



**GILBERT CPAs**  
**Sacramento, California**

**December 15, 2023**

# URBAN CHARTER SCHOOLS COLLECTIVE

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 4,609,811	\$ 3,554,745
Due from state and local governments	1,183,184	685,622
Other accounts receivable	2,272	
Prepaid expenses	<u>55,413</u>	<u>30,921</u>
Total current assets	5,850,680	4,271,288
<b>PROPERTY AND EQUIPMENT - Net</b>	<u>91,595</u>	<u>146,349</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,942,275</u>	<u>\$ 4,417,637</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 192,806	\$ 119,004
Accrued expenses	167,740	136,068
Due to state and local governments	16,874	304,359
Funds held for others	1,024	2,253
Deferred revenue	<u>70,646</u>	<u>301,295</u>
Total liabilities	<u>449,090</u>	<u>862,979</u>
<b>NET ASSETS:</b>		
Without donor restrictions	3,866,752	3,132,419
With donor restrictions	<u>1,626,433</u>	<u>422,239</u>
Total net assets	<u>5,493,185</u>	<u>3,554,658</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,942,275</u>	<u>\$ 4,417,637</u>

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

# URBAN CHARTER SCHOOLS COLLECTIVE

## STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES:</b>		
Federal revenue	\$ 450,502	\$ 296,773
State revenue:		
State aid portion of general purpose funding	3,039,259	1,705,245
Lottery revenue	98,323	68,465
All other state revenue	1,106,138	223,969
Local revenue:		
Cash in-lieu of property taxes	1,071,156	959,235
Contributions and other local revenues	2,872	775
Net assets released from restrictions	<u>471,721</u>	<u>1,671,322</u>
Total revenues	<u>6,239,971</u>	<u>4,925,784</u>
<b>EXPENSES:</b>		
Program services:		
Educational programs	5,062,920	4,578,108
Supporting services:		
Management and general	<u>442,718</u>	<u>399,989</u>
Total expenses	<u>5,505,638</u>	<u>4,978,097</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>734,333</u>	<u>(52,313)</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Other state revenue	1,318,125	329,508
EPA revenue	308,923	1,479,955
Lottery revenue	48,867	31,706
Net assets released from restrictions	<u>(471,721)</u>	<u>(1,671,322)</u>
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>1,204,194</u>	<u>169,847</u>
<b>INCREASE IN NET ASSETS</b>	1,938,527	117,534
<b>NET ASSETS, Beginning of year</b>	<u>3,554,658</u>	<u>3,437,124</u>
<b>NET ASSETS, End of year</b>	<u>\$ 5,493,185</u>	<u>\$ 3,554,658</u>

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

# URBAN CHARTER SCHOOLS COLLECTIVE

## STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2023 AND 2022

	<b>Program Services</b>	<b>Supporting Services</b>	
<b><u>2023</u></b>	<b>Educational programs</b>	<b>Management and general</b>	<b>Total expenses</b>
Certificated salaries	\$ 1,959,603	\$ 159,026	\$ 2,118,629
Classified salaries	863,067	184,644	1,047,711
Employee benefits	875,804	81,999	957,803
Professional services and consulting	634,251		634,251
Books and supplies	187,583	846	188,429
Facilities, rental, and repairs	177,732		177,732
Communications	75,534		75,534
Non-capitalized capital outlay	54,771		54,771
Depreciation and amortization	54,754		54,754
District oversight and special education encroachment	43,845		43,845
Conferences and staff development	958	16,203	17,161
Other operating	135,018		135,018
Total expenses	\$ 5,062,920	\$ 442,718	\$ 5,505,638
<b><u>2022</u></b>			
Certificated salaries	\$ 1,897,716	\$ 157,466	\$ 2,055,182
Classified salaries	790,143	165,571	955,714
Employee benefits	828,350	63,371	891,721
Professional services and consulting	579,838		579,838
Books and supplies	110,076	1,496	111,572
Facilities, rental, and repairs	153,650		153,650
Communications	84,479		84,479
Non-capitalized capital outlay	3,942		3,942
Depreciation and amortization	54,916		54,916
District oversight and special education encroachment	40,030		40,030
Conferences and staff development	4,700	12,085	16,785
Other operating	30,268		30,268
Total expenses	\$ 4,578,108	\$ 399,989	\$ 4,978,097

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



# URBAN CHARTER SCHOOLS COLLECTIVE

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 1,938,527	\$ 117,534
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	54,754	54,916
Changes in:		
Due from state and local governments	(497,562)	261,284
Other accounts receivable	(2,272)	
Prepaid expenses	(24,492)	25,308
Accounts payable	73,802	(575,392)
Accrued expenses	31,672	25,678
Due to state and local governments	(287,485)	33,989
Funds held for others	(1,229)	240
Deferred revenue	(230,649)	186,706
Net cash provided by operating activities	<u>1,055,066</u>	<u>130,263</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>                    </u>	<u>(4,469)</u>
<b>NET INCREASE IN CASH</b>	1,055,066	125,794
<b>CASH, Beginning of year</b>	<u>3,554,745</u>	<u>3,428,951</u>
<b>CASH, End of year</b>	<u>\$ 4,609,811</u>	<u>\$ 3,554,745</u>

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

# URBAN CHARTER SCHOOLS COLLECTIVE

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Urban Charter Schools Collective (UCSC) was incorporated October 29, 2009 and is organized to manage, operate, guide, direct, and promote the public charter school, Yav Pem Suab Academy – Preparing for the Future Charter (YPSA). The charter school number is 1186.

UCSC is funded principally through State of California public education monies received through the California Department of Education and the Sacramento City Unified School District (SCUSD), the Sponsoring District. A Board of Directors, consisting of seven members, governs UCSC. As of June 30, 2023, there were three vacant board seats.

SCUSD approved the charter for YPSA for a five-year term through June 30, 2025. Along with the approval of the Charter, UCSC signed a Memorandum of Understanding (MOU) with SCUSD through June 30, 2025. The 2021-2022 Education Trailer Bill AB 130 Sec 58 established a new Education Code Section 47607.7, in which all charter schools whose term expires on or between January 1, 2022 and June 2025 shall have their term extended by two years. An additional one-year extension was given for all schools by operation of law (Education Code Section 47607.4 amended by SB 114).

The charter may be revoked by SCUSD for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**Basis of accounting and financial statement presentation** – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. UCSC reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

**Property and equipment** purchases greater than or equal to \$1,000 are capitalized at cost and depreciated using the straight-line method over an estimated useful life of one and a half to three years. Leasehold improvements are amortized over the lease term (including options) or the useful life.

**Funds held for others** – UCSC has an Associated Student Body (ASB) which consists of various clubs and student groups. Funds raised by the various student groups are held in a separate bank account by UCSC. UCSC provides oversight and monitors the activities in these groups. The cash balance on the statements of financial position includes \$1,024 and \$2,253 at June 30, 2023 and 2022, respectively, that was held on behalf of the ASB. Revenues and expenses of the ASB are generated separately from UCSC and therefore are not included on UCSC's statements of activities.

**Income taxes** – UCSC is publicly supported and has received tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. There is no unrelated taxable income and, accordingly, there is no provision for income taxes in these financial statements.

# URBAN CHARTER SCHOOLS COLLECTIVE

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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**Revenue recognition** – Revenue is recognized when earned. Payments under cost-reimbursable or federal or state grants received in advance are deferred to the applicable period in which the qualifying expenditures are incurred. UCSC received cost-reimbursable grants of \$1,237,034 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred, with advance payments of \$70,646 and \$301,295 recognized in the June 30, 2023 and 2022 statements of financial position as deferred revenue.

Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes.

Donor-restricted contributions are reported as increases in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions that were initially classified as conditional due to a qualifying expense barrier are recognized as net assets without donor restrictions since the restriction is met simultaneously when the condition is released and the revenue is recognized.

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to both program and supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and benefits, district oversight and special education encroachment, professional and consulting services, books and supplies, communications, conferences and staff development, and non-capitalized capital outlay, which are allocated based on estimated usage of resources.

**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 and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent events** have been reviewed through December 15, 2023, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in the financial statements.

# URBAN CHARTER SCHOOLS COLLECTIVE

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

UCSC's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,609,811	\$ 3,554,745
Due from state and local governments	1,183,184	685,622
Other accounts receivable	<u>2,272</u>	<u>          </u>
Total financial assets	5,795,267	4,240,367
Less:		
Amounts unavailable for general expenditure within one year due to:		
Amounts restricted by donors for purpose (see Note 6)	(1,626,433)	(422,239)
Funds held for others (see Note 1)	<u>(1,024)</u>	<u>(2,253)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 4,167,810</u>	<u>\$ 3,815,875</u>

UCSC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 241,273	\$ 241,273
Equipment	165,481	165,481
Less accumulated depreciation and amortization	<u>(315,159)</u>	<u>(260,405)</u>
Property and equipment, net	<u>\$ 91,595</u>	<u>\$ 146,349</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$54,754 and \$54,916, respectively.

### 4. AGREEMENTS

UCSC has a Facility Use Agreement through June 30, 2024. To assist UCSC in meeting its goals and objectives, SCUSD agreed to provide shared use of the existing Lisbon Elementary facilities and on-site equipment to UCSC for an annual pro-rata cost of the facility. UCSC uses approximately 46,175 square feet and the agreement estimates the cost to be \$2.67 per square foot. SCUSD adjusts this cost each year according to Prop 39 regulations and reflects the actual prior year district-wide square foots cost per ADA. UCSC paid \$2.63 per square foot at a cost of \$126,981 and \$2.41 per square foot at a cost of \$111,282 for the years ended June 30, 2023 and 2022, respectively.

# URBAN CHARTER SCHOOLS COLLECTIVE

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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UCSC has an MOU with SCUSD through June 30, 2025. As stated in the Education Code 47613, up to 1% of all local control funding formula can be paid to the Sponsoring District for the actual expenses incurred in monitoring and overseeing UCSC. Fees of \$43,845 and \$40,030 were accrued as of June 30, 2023 and 2022, respectively, in accordance with this agreement.

On November 9, 2020, UCSC executed an Agreement for Participation in the El Dorado Charter SELPA with the El Dorado County Office of Education, which was effective beginning July 1, 2021.

### 5. EMPLOYEE RETIREMENT PLANS

#### California State Teachers' Retirement System (CalSTRS)

Qualified certificated employees are covered under the following defined benefit pension plan maintained by the State of California.

Plan name:	California State Teachers' Retirement System (CalSTRS)
Plan's EIN:	94-6291617
Actuarial value of assets:	\$257,537
Actuarial accrued liability:	\$346,089
Funded status:	65 - 80% funded

The actuarial value of assets and accrued liability are expressed in millions and are valued as of June 30, 2022, the most recent actuarial valuation date.

#### Plan Description

UCSC participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at [www.calstrs.com](http://www.calstrs.com).

#### Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

# URBAN CHARTER SCHOOLS COLLECTIVE

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increasing contributions to the CalSTRS Plan from members, employers, and the State over seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.10% of covered payroll over the seven-year period. Starting with fiscal year 2021-22, there may be additional annual adjustments not to exceed a maximum amount of 20.25%. Active plan members are required to contribute between 10.205% or 10.25% of their salary. The required employer contribution rate for fiscal years 2023 and 2022 were 19.10% and 16.92% of annual payroll, respectively. UCSC's contributions to CalSTRS for the years ended June 30, 2023 and 2022, were \$395,694 and \$342,258, respectively, and equaled 100% of the required contributions for the periods. For the fiscal year 2024, UCSC is required to contribute 19.10% of annual payroll.

### Defined Contribution Plan

UCSC has a defined contribution retirement plan under Internal Revenue Code Section 403(b) offered to all employees who meet eligibility criteria. UCSC contributes amounts to the Plan on a discretionary basis, as allowed by the Plan. No contributions were made during the years ended June 30, 2023 and 2022.

## 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Learning Recovery Emergency Block Grant	\$ 575,275	
Expanded Learning Opportunities After School/Summer	570,771	\$ 195,238
Arts, Music & Instructional Materials Discretionary Block Grant	249,659	
Instructional Materials - California Lottery	132,013	105,432
Educator Effectiveness	98,715	121,569
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,626,433</u>	<u>\$ 422,239</u>

## 7. CONTINGENCIES

UCSC 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.

UCSC is currently under audit by CalSTRS. Preliminary results of the audit have determined from evaluation of selected employees during the 2017-18 school year that compensation was reported incorrectly, which resulted in incorrect contributions to the plan. UCSC is in the process of determining the amount of incorrectly reported compensation and the related contributions. The total financial impact of this evaluation and any amounts owed to or due from CalSTRS are not determinable at this time.

# URBAN CHARTER SCHOOLS COLLECTIVE

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### 8. CONCENTRATION

UCSC minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. Balances in excess of the federally insured limits at June 30, 2023 and 2022 were \$4,395,358 and \$3,367,411, respectively. UCSC has not experienced any losses in such accounts and management believes UCSC is not exposed to any significant credit risk related to cash.

## **SUPPLEMENTARY INFORMATION**



# URBAN CHARTER SCHOOLS COLLECTIVE

## ORGANIZATION, GOVERNING BOARD, AND ADMINISTRATION YEAR ENDED JUNE 30, 2023

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### ORGANIZATION

Urban Charter Schools Collective (UCSC) was incorporated October 29, 2009, and is organized to manage, operate, guide, direct, and promote Yav Pem Suab Academy - Preparing for the Future Charter, a California public charter school. Yav Pem Suab Academy was granted a charter by Sacramento City Unified School District through June 30, 2025.

UCSC supervises the activities and financial affairs of the charter school to ensure the requirements of the California Education Code are met.

### GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Miles Myles	President	2023
Bao Xiong	Vice President	2024
Guy Ollison	Board Treasurer	2024
Xai Lor	Board Member	2025

### ADMINISTRATION

Lee Yang  
Superintendent

Megan Lao  
Chief Financial Officer

# URBAN CHARTER SCHOOLS COLLECTIVE

## SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2023

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Classroom-based ADA:	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
<b>Yav Pem Suab Academy</b>				
Grades TK through 3	216.83	216.83	224.25	224.25
Grades 4 through 6	<u>165.01</u>	<u>165.01</u>	<u>166.10</u>	<u>166.10</u>
ADA Totals	<u>381.84</u>	<u>381.84</u>	<u>390.35</u>	<u>390.35</u>

# URBAN CHARTER SCHOOLS COLLECTIVE

## SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2023

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<u>Grade Level</u>	<u>Required Minutes</u>	<u>2022-23 Minutes Offered</u>	<u>Number of Instructional Days Offered</u>	<u>Required Number of Instructional Days</u>	<u>Status</u>
TK-Kindergarten	36,000	49,000	175	175	In Compliance
Grades 1-3	50,400	63,095	175	175	In Compliance
Grades 4-6	54,000	63,095	175	175	In Compliance

**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***

**Board of Directors  
Urban Charter Schools Collective  
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 of Urban Charter School Collective (UCSC), a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2023, 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 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UCSC'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 UCSC's internal control. Accordingly, we do not express an opinion on the effectiveness of UCSC'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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

As part of obtaining reasonable assurance about whether UCSC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **UCSC's Response to Finding**

Government Auditing Standards requires the auditor to perform limited procedures on UCSC's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. UCSC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 UCSC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UCSC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**GILBERT CPAs**  
**Sacramento, California**

**December 15, 2023**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2022-23  
GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION  
AGENCIES AND STATE COMPLIANCE REPORTING**

**Board of Directors  
Urban Charter Schools Collective  
Sacramento, California**

**Report on Compliance with Applicable Requirements**

***Opinion on State Compliance***

We have audited Urban Charter School Collective's (UCSC) compliance with the types of compliance requirements identified as subject to audit 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 identified in the schedule below for the year ended June 30, 2023.

In our opinion, UCSC complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2023.

***Basis for Opinion on State Compliance***

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

We are required to be independent of UCSC 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 each applicable state program. Our audit does not provide a legal determination of UCSC'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 UCSC's State programs.

***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on UCSC’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about UCSC’s compliance with the requirements of State Compliance as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 UCSC’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of UCSC’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 UCSC’s internal control over compliance. Accordingly, no such opinion is expressed.

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

In connection with the requirements referred to above, we selected and tested transactions and records to determine UCSC’s compliance with the applicable programs identified below:

<b>Compliance Requirements</b>	<b>Procedures Performed</b>
<b>SCHOOL DISTRICTS, COUNTY OFFICE OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Not Applicable
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes

<b>Compliance Requirements</b>	<b>Procedures Performed</b>
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Transitional Kindergarten	Yes
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non-Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable


***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 material noncompliance with a type of 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 by those charged with governance.

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

  
**GILBERT CPAs**  
**Sacramento, California**

**December 15, 2023**



## **FINDINGS AND QUESTIONED COSTS**

**URBAN CHARTER SCHOOLS COLLECTIVE**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2023**

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**SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements:*

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
• Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None Reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

*State Compliance:*

Internal control over state programs:		
• Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
• Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None Reported
Any audit findings disclosed that are required to be reported in accordance with Audits of K-12 Local Education Agencies?	<u>      </u> Yes	<u>  X  </u> No
Type of auditor's report issued on compliance for state programs:	Unmodified	

**FINANCIAL STATEMENT FINDINGS**

**2023-001 FINANCIAL CLOSE – CDDC #30000**

**Finding:**

One element of an entity’s internal control over financial reporting is the ability to detect misstatement in the financial statements independent of the audit process and produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Adjustments arising from the audit of an organization’s financial statements are generally an indication that internal controls over financial reporting are not functioning properly. Adjustments were required related to categorical and state aid revenue recognition as a result of identified errors during audit procedures. These adjustments resulted in a decrease to accounts receivable and a decrease to revenue of \$86,673. This is a repeat finding.

**Criteria:**

Accrual based accounting in accordance with GAAP for not-for-profit organizations.

# URBAN CHARTER SCHOOLS COLLECTIVE

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

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### **Cause:**

Categorical revenue recognition was not sufficiently analyzed and reviewed to ensure proper accounting treatment.

### **Questioned Cost:**

No questioned costs or misstatement of ADA were noted related to this finding and errors identified were corrected by management.

### **Recommendation:**

We recommend that UCSC evaluate the financial policies and procedures for monthly and year-end closing processes to ensure the financial records and financial statements are maintained in accordance with GAAP.

### **UCSC's Corrective Action Plan:**

UCSC will implement the recommendation suggested by Gilbert CPAs by developing and implementing an improved fiscal year-end close calendar. The calendar will detail specific timelines and tasks to be completed by staff. Staff will implement the timeline to ensure revenue sources are sufficiently analyzed and adequately recognized.

In addition, UCSC will explore and secure financial and business consulting services with School Services of California or any charter school back-office service provider to support in this area as needed to support staff in their roles. Lastly, UCSC will continue to work closely with its current CPA firm to establish monthly and quarterly reviews of financial transactions, perform soft closes at the end of each quarter, and ensure proper revenues and expense recognition in accordance with GAAP for non-profits.

## **STATE COMPLIANCE FINDINGS**

There were no state compliance findings for the year ended June 30, 2023.

# URBAN CHARTER SCHOOLS COLLECTIVE

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

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### STATUS OF PRIOR YEAR FINDINGS:

### FINANCIAL STATEMENT FINDINGS

<u>Finding &amp; Recommendation</u>	<u>Current Status</u>	<u>Organization Explanation</u>
2022-001: FINANCIAL CLOSE – CDDC #30000  <b>Cause:</b> Categorical revenue recognition was not sufficiently analyzed and reviewed to ensure proper accounting treatment.  <b>Finding:</b> One element of an entity’s internal control over financial reporting is the ability to detect misstatement in the financial statements independent of the audit process and produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Adjustments arising from the audit of an organization’s financial statements are generally an indication that internal controls over financial reporting are not functioning properly. Adjustments were required related to categorical revenue recognition as a result of identified errors during audit procedures. These adjustments resulted in an increase to deferred revenue and a decrease to revenue of \$301,295.  <b>Recommendation:</b> We recommend that UCSC evaluate the financial policies and procedures for monthly and year-end closing processes to ensure the financial records and financial statements are maintained in accordance with GAAP.	Not Implemented – See 2023-001	See management response above.

# URBAN CHARTER SCHOOLS COLLECTIVE

## SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

### STATE COMPLIANCE

Finding & Recommendation	Current Status	Organization Explanation
2022-002: STATE COMPLIANCE (UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS) – CDDC #40000	Implemented	N/A

**Condition:** The UCSC’s “1.18 – FRPM / English Learner / Foster Youth – Student List” incorrectly reported 7 students designated as English Learner (EL) at the following site. 100% of the population for students designated as English Learner (EL) was tested.

School Site	Students Incorrectly Reported	Total Error
Yav Pem Suab Academy – Preparing for the Future Charter	7	7

**Recommendation:** We recommend that UCSC implement procedures to ensure when students meet the requirements for English Learner Reclassification that they are properly reclassified ensure accurate unduplicated count designations. We also recommend that any applicable reporting be revised or UCSC m be required to return funding.