



Mission Preparatory

Special Board Meeting

All meetings are in-person.

Published on January 13, 2025 at 10:01 PM PST

Date and Time

Thursday January 30, 2025 at 4:30 PM PST

Location

Abraham Joshua Learning Commons
1050 York Street (2nd floor)
San Francisco, CA 94110

Agenda

	Purpose	Presenter	Time
I. Opening Items			4:30 PM
A. Record Attendance		Jesus Garcia	1 m
B. Call the Meeting to Order		Christina Craig-Chardon	2 m
C. Public Comment		Jesus Garcia	5 m

All stakeholders are able to publicly speak or submit in writing to the board any comment pertaining to the agenda. The time limit for such an item is **ONE minute per**

Purpose Presenter Time

speaker (If translation is required, an additional minute for translation purposes will be granted). The board is not able to respond to inquiry nor public comments during this period of time.

REMOVAL OF AN INDIVIDUAL FOR INTERRUPTION²⁰ The presiding member of a legislative body or their designee may remove a person for disrupting a meeting.

What is a disruption? Behavior that actually disrupts, disturbs, impedes, or renders infeasible the orderly conduct of the meeting including failing to comply with reasonable and lawful regulations adopted by the legislative body or any other law

II. Finance 4:38 PM

A. Finance: Review & Discuss SY23-24 Audit Discuss Cynthia Jerez 20 m
 Board will review completed audit for state & local submission.

B. Approval of Finalized SY23-24 Audit Vote David Monte 2 m

III. Closing Items 5:00 PM

A. Adjourn Meeting FYI

Coversheet

Finance: Review & Discuss SY23-24 Audit

Section: II. Finance
Item: A. Finance: Review & Discuss SY23-24 Audit
Purpose: Discuss
Submitted by:
Related Material: MissionPreparatorySchoolRpt.24.pdf

MISSION PREPARATORY, INC.

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2024**

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

The Mission Preparatory School (Charter No. 1270)



**THE MISSION
PREPARATORY
SCHOOL**

**MISSION PREPARATORY, INC.
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FINANCIAL SECTION



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Mission Preparatory, Inc. which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Preparatory, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Auditor's Responsibilities for the Audit of the Financial Statements

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Mission Preparatory, Inc.'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 Mission Preparatory, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of Mission Preparatory, Inc.'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 Mission Preparatory, Inc.'s internal control over financial reporting or on compliance.

Other Reporting Required by Government Auditing Standards (continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mission Preparatory, Inc.'s internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 12, 2024

MISSION PREPARATORY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 3,337,355
Accounts receivable	1,364,711
Prepaid expenses	14,745
Total current assets	<u>4,716,811</u>

Noncurrent assets

Right-of-use asset - operating	243,347
Right-of-use asset - finance	28,344
Total noncurrent assets	<u>271,691</u>
Total Assets	<u>\$ 4,988,502</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 890,211
Deferred revenue	1,086,135
Operating lease liability	252,781
Finance lease liability	29,209
Total liabilities	<u>2,258,336</u>

Net assets

Without donor restrictions	<u>2,730,166</u>
Total net assets	<u>2,730,166</u>
Total Liabilities and Net Assets	<u>\$ 4,988,502</u>

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

MISSION PREPARATORY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 3,129,643
Federal revenues	1,245,294
Other state revenues	<u>2,151,442</u>
Total federal and state support and revenues	<u>6,526,379</u>
Local support and revenues	
Payments in lieu of property taxes	2,689,040
Parcel tax revenues	542,334
Grants and donations	105,121
Investment income, net	4,711
Other local revenues	<u>115,728</u>
Total local support and revenues	<u>3,456,934</u>
Total Support and Revenues	<u>9,983,313</u>
EXPENSES	
Program services	8,467,814
Supporting services	
Management and general	1,578,650
Fundraising	<u>2,157</u>
Total Expenses	<u>10,048,621</u>
CHANGE IN NET ASSETS	(65,308)
Net Assets - Beginning	<u>2,795,474</u>
Net Assets - Ending	<u>\$ 2,730,166</u>

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

MISSION PREPARATORY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 2,804,418	\$ 86,607	\$ -	\$ 2,891,025
Non-certificated salaries	1,990,764	52,273	-	2,043,037
Pension plan contributions	509,723	21,238	-	530,961
Payroll taxes	258,507	7,168	-	265,675
Other employee benefits	328,787	13,597	-	342,384
Total personnel expenses	5,892,199	180,883	-	6,073,082
Non-personnel expenses				
Books and supplies	1,021,265	20,703	-	1,041,968
Insurance	-	35,294	-	35,294
Facilities	174,902	303,397	-	478,299
Professional services	1,342,282	945,785	2,157	2,290,224
Interest expense	12,754	6,010	-	18,764
Fees to authorizing agency	-	58,186	-	58,186
Other operating expenses	24,412	28,392	-	52,804
Total non-personnel expenses	2,575,615	1,397,767	2,157	3,975,539
Total Expenses	\$ 8,467,814	\$ 1,578,650	\$ 2,157	\$ 10,048,621

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

MISSION PREPARATORY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (65,308)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Lease expense - amortization of operating right-of-use asset	2,731
Interest expense - amortization of finance right-of-use asset	17,006
(Increase) decrease in operating assets	
Accounts receivable	96,464
Prepaid expenses	(1,310)
Increase (decrease) in operating liabilities	
Accounts payable	140,537
Deferred revenue	(359,552)
Net cash provided by (used in) operating activities	<u>(169,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on financed equipment	<u>(16,141)</u>
Net cash provided by (used in) financing activities	<u>(16,141)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(185,573)
Cash and cash equivalents - Beginning	<u>3,522,928</u>
Cash and cash equivalents - Ending	<u>\$ 3,337,355</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 35,770</u>

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

**MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mission Preparatory, Inc. (the “Charter”) was formed as a nonprofit public benefit corporation on November 9, 2009 for the purpose of operating as a California public school located in San Francisco County. The Charter is numbered by the State Board of Education as California Charter No. 1270. The Mission Preparatory School equips kindergarten to eighth grade students with the knowledge, skills, and strength of character needed to succeed in college and serve as leaders in their communities. During the year ended June 30, 2024, the Charter served grades TK to 8.

The Mission Preparatory School is authorized to operate as a charter school through San Francisco Unified School District (the “authorizing agency” or “SFUSD”). In 2020, the Board of Directors of San Francisco Unified School District approved a charter renewal petition for a five-year term beginning July 1, 2021 and expiring on June 30, 2025. Due to AB 130 and SB 114, the charter petition end date has been extended to June 30, 2028. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Mission Preparatory, Inc. is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, Mission Preparatory, Inc. also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Mission Preparatory, Inc.. Revenues are recognized by the Charter when earned.

G. Functional Expenses

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

H. Cash and Investments

Mission Preparatory, Inc. considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Charter’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2024, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

K. Lease Arrangements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, a new lease standard effective no later than the fiscal year 2022-23. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

L. Income Taxes

Mission Preparatory, Inc. is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

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

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2024, consists of cash in banks of \$3,337,355. As of June 30, 2024, Mission Preparatory, Inc.'s bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. The FDIC insures up to \$250,000 per depositor per insured bank. Mission Preparatory, Inc. policy is to maintain a sweep account to ensure exposure to custodial credit risk

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, consists of the following:

Local control funding sources, state aid	\$ 266,454
Federal sources	372,395
Other state sources	247,256
In lieu property tax payments	360,898
Parcel tax payments	115,525
Other local sources	2,183
Total Accounts Receivable	<u>\$ 1,364,711</u>

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2024, consists of the following:

Accrued vendor payables	\$ 556,299
Salaries and benefits	203,460
Due to authorizing agency	20,154
Due to grantor government	104,732
Credit card liability	5,566
Total Accounts Payable	<u>\$ 890,211</u>

NOTE 5 – DEFERRED REVENUE

Deferred revenue as of June 30, 2024, consists of the following:

State sources	\$ 1,060,059
Local sources	26,076
Total Deferred Revenue	<u>\$ 1,086,135</u>

NOTE 6 – OPERATING AND FINANCE LEASES

The Charter holds a facilities use agreement from San Francisco Unified School District for the use of a school site located at 1050 York Street in San Francisco, California. The facility is utilized for instructional services in order to meet the goals established by the Charter. The lease agreement covers a term ending June 30, 2026 and calls for payments to be made on a quarterly basis. During the fiscal year ended June 30, 2024, the Charter paid \$126,773 in lease payments under this operating lease. At June 30, 2024, the right-of-use asset was \$243,347 and the operating lease liability was \$252,781. The Charter has accounted for its operating lease agreement using an implied discount rate of 2.884%.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 6 – OPERATING AND FINANCE LEASES (continued)

The Charter holds a lease agreement for the use of copier equipment with a term ending February 14, 2026. During the fiscal year ended June 30, 2024, the Charter paid \$18,240 in lease payments under this finance lease. At June 30, 2024, the right-of-use asset was \$28,344 and the finance lease liability was \$29,209. The Charter has accounted for its finance lease agreement using an implied discount rate of 4.602%.

The associated assets and liabilities are amortized over the remaining term of the operating and finance leases as follows:

Fiscal Year Ending June 30,	Operating		Finance	
	Lease Liability	ROU Asset	Lease Liability	ROU Asset
2025	\$ 126,772	\$ 125,863	\$ 18,240	\$ 17,006
2026	134,388	125,863	12,160	11,338
Total lease payments	261,160	251,726	30,400	28,344
NPV adjustment	(8,379)	(8,379)	(1,191)	-
Total	\$ 252,781	\$ 243,347	\$ 29,209	\$ 28,344

NOTE 7 – NET ASSETS

As of June 30, 2024, the Charter did not hold any net assets with donor restrictions. At June 30, 2024, the Charter's net assets without donor restrictions consists of \$2,730,166 in undesignated amounts.

It is the Charter's policy to end each operating year with a reserve equal to or greater than five percent of annual expenditures. The Charter has met this reserve requirement for the fiscal year ended June 30, 2024.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 3,337,355
Accounts receivable	1,364,711
Prepaid expenses	14,745
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	(1,086,135)
Financial Assets available to meet cash needs	
for expenditures within one year	\$ 3,630,676

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The Charter also offers social security as an alternative plan to employees who may not qualify for CalSTRS.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

Mission Preparatory, Inc. contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2023-24 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2023-24 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the fiscal year ended June 30, 2024 were \$530,961; 100% of the required contribution.

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Mission Preparatory, Inc. is estimated at \$234,792. The on-behalf payment amount is computed as the proportionate share of total 2022-23 State on-behalf contributions.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, The Mission Preparatory School is approved to operate as a public charter school through authorization by the San Francisco Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

The Charter makes payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total oversight fees amounted to \$58,186 for the fiscal year ending June 30, 2024. The Charter also holds a facilities use agreement that is accounted for as an operating lease (refer to Note 6).

Parcel Tax Revenue

San Francisco voters approved the Schools Parcel Tax ("Proposition G"), a 2018 ballot measure, for SFUSD that authorized the City and County of San Francisco to collect an annual tax per parcel of taxable real property in the City beginning July 1, 2018 through June 30, 2038. The funding is to be used for teacher salaries and benefits at traditional and charter public schools. Effective July 1, 2021, Proposition G was replaced by the Proposition J Parcel Tax when San Francisco voters passed the 2020 ballot measure. Proposition J allows SFUSD to continue the use of money collected through this tax for the same purposes as Proposition G. A portion collected by SFUSD is allocated to the Organization's charter schools. In addition to Measure J, City voters previously approved the ballot initiative Proposition H, establishing the Public Education Enrichment Fund (PEEF) and Proposition A establishing the Quality Teacher and Education Act (QTEA). The Organization is also allocated funding from each of these parcel taxes to support its educational goals. During the year ended June 30, 2024, the Charter recognized revenue of \$542,334 attributed to parcel tax collections.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Governmental Funds

Mission Preparatory, Inc. has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 9 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Charter may become involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2024.

NOTE 11 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Mission Preparatory, Inc. in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did receive donated legal services valued at \$7,500 that did qualify to be reported during the year ended June 30, 2024, which were valued at fair market value.

NOTE 12 – SUBSEQUENT EVENTS

Mission Preparatory, Inc. has evaluated subsequent events for the period from June 30, 2024 through December 12, 2024, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**MISSION PREPARATORY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

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

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 177,874
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	16,396
Title III, English Learner Student Program	84.365	14346	24,488
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	11,335
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	445,458
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	87,955
Subtotal Education Stabilization Fund Discretionary Grants			<u>533,413</u>
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	<u>75,396</u>
Total U. S. Department of Education			<u>838,902</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition: National School Lunch Program	10.555	13391	<u>406,330</u>
Total U. S. Department of Agriculture			<u>406,330</u>
Total Federal Expenditures			<u>\$ 1,245,232</u>

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2024 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2024.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 1,245,294
Education Stabilization Fund Discretionary Grants	84.425	<u>(62)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 1,245,232</u>

**MISSION PREPARATORY, INC.
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2024**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	211.66	210.87
Fourth through sixth	150.59	149.65
Seventh through eighth	93.72	92.92
Special education		
Kindergarten through third	0.95	0.93
Total Average Daily Attendance - Classroom-Based	<u>456.92</u>	<u>454.37</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	1.36	1.94
Fourth through sixth	0.48	0.99
Seventh through eighth	0.31	1.07
Total Average Daily Attendance - Nonclassroom-Based	<u>2.15</u>	<u>4.00</u>
Total Average Daily Attendance	<u>459.07</u>	<u>458.37</u>

*Includes Transitional Kindergarten (TK)

**MISSION PREPARATORY, INC.
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2024**

This schedule presents information on the amount of instructional time offered per grade level by the charter school and whether the charter school complied with the provisions of *Education Code Section 47612.5*.

Grade Level	Minutes Requirement	2023-24 Instructional Minutes	2023-24 Number of Days	Status
Kindergarten*	36,000	75,385	189	Complied
Grade 1	50,400	72,550	189	Complied
Grade 2	50,400	72,550	189	Complied
Grade 3	50,400	72,550	189	Complied
Grade 4	54,000	72,550	189	Complied
Grade 5	54,000	72,550	189	Complied
Grade 6	54,000	72,550	189	Complied
Grade 7	54,000	72,550	189	Complied
Grade 8	54,000	72,550	189	Complied

*Includes Transitional Kindergarten (TK)

**MISSION PREPARATORY, INC.
 RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
 STATEMENTS
 JUNE 30, 2024**

This schedule provides the information necessary to reconcile fund balance/net position reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

June 30, 2024, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 2,707,104</u>
Adjustments:	
Increase (decrease) in total net assets:	
Client accrual adjustments after UA submission	<u>23,062</u>
June 30, 2024, net assets per audited financial statements	<u>\$ 2,730,166</u>

OTHER INFORMATION

**MISSION PREPARATORY, INC.
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2024**

This schedule provides information about the local education agency (LEA or charter school), including the charter school’s authorizing agency, grades served, members of the governing body, and members of the administration.

Mission Preparatory, Inc., located in San Francisco County, was formed as a nonprofit public benefit corporation on November 9, 2009. The charter school operated by the nonprofit, The Mission Preparatory School, is numbered by the State Board of Education as Charter No. 1270. The Mission Preparatory School is authorized to operate as a charter school through San Francisco Unified School District. During 2023-24, the Charter served approximately 490 students in grades TK to 8.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Jesus Gardia-Valdez	Chair	2027
Daniel Goldberg	Vice Chair	2024
David Monte	Treasurer	2024
Christina Craig-Chardon	Secretary	2025
Karla Gandiga	Member	2027
Nick Driver	Member	2026
Lucy Fuentes	Member	2026
Andrea Ruiz de Bustamante	Member	2025
Siobhan K. Cronin	Member	2027

ADMINISTRATION

Cynthia Jerez, M.Ed.
Executive Director

OTHER INDEPENDENT AUDITORS' REPORTS



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

Independent Auditors' Report

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mission Preparatory, Inc. (the "Charter") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 12, 2024



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

Independent Auditors' Report

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mission Preparatory, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mission Preparatory, Inc.'s major federal programs for the year ended June 30, 2024. Mission Preparatory, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mission Preparatory, Inc. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mission Preparatory, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mission Preparatory, Inc.'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 Mission Preparatory, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mission Preparatory, Inc.'s compliance based on our audit.

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Auditor's Responsibilities for the Audit of Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Mission Preparatory, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional 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 Mission Preparatory, Inc.'s compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Mission Preparatory, Inc.'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mission Preparatory, Inc.'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 in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 12, 2024



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REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

Report on State Compliance

Opinion on State Compliance

We have audited Mission Preparatory, Inc.'s compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Mission Preparatory, Inc.'s state program requirements for the fiscal year ended June 30, 2024. Reference to Mission Preparatory, Inc. within this letter is inclusive of The Mission Preparatory School (Charter No. 1270).

In our opinion, Mission Preparatory, Inc. complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2024, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mission Preparatory, Inc.'s compliance based on our audit.

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Auditor’s Responsibilities for the Audit for State Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Mission Preparatory, Inc.'s compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional 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 Mission Preparatory, Inc.'s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mission Preparatory, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Mission Preparatory, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Mission Preparatory, Inc.'s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

**We did not perform testing of Nonclassroom-Based Instruction/Independent Study because ADA was not material.*

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 12, 2024

FINDINGS AND QUESTIONED COSTS SECTION

**MISSION PREPARATORY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

PART I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425U	Education Stabilization Fund Discretionary Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2023-24 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2024.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2024.

PART IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2024.

**MISSION PREPARATORY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

PART V – SUMMARY OF PRIOR AUDIT FINDINGS

This section presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2023.

Coversheet

Approval of Finalized SY23-24 Audit

Section: II. Finance
Item: B. Approval of Finalized SY23-24 Audit
Purpose: Vote
Submitted by:
Related Material: MissionPreparatorySchoolRpt.24.pdf

MISSION PREPARATORY, INC.

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2024**

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

The Mission Preparatory School (Charter No. 1270)



**THE MISSION
PREPARATORY
SCHOOL**

MISSION PREPARATORY, INC.
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FINANCIAL SECTION



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K-12 School Districts and Charter
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Mission Preparatory, Inc. which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Preparatory, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Auditor's Responsibilities for the Audit of the Financial Statements

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Mission Preparatory, Inc.'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 Mission Preparatory, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of Mission Preparatory, Inc.'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 Mission Preparatory, Inc.'s internal control over financial reporting or on compliance.

Other Reporting Required by Government Auditing Standards (continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mission Preparatory, Inc.'s internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 12, 2024

MISSION PREPARATORY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Current assets

Cash and cash equivalents	\$ 3,337,355
Accounts receivable	1,364,711
Prepaid expenses	14,745
Total current assets	<u>4,716,811</u>

Noncurrent assets

Right-of-use asset - operating	243,347
Right-of-use asset - finance	28,344
Total noncurrent assets	<u>271,691</u>
Total Assets	<u>\$ 4,988,502</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 890,211
Deferred revenue	1,086,135
Operating lease liability	252,781
Finance lease liability	29,209
Total liabilities	<u>2,258,336</u>

Net assets

Without donor restrictions	<u>2,730,166</u>
Total net assets	<u>2,730,166</u>
Total Liabilities and Net Assets	<u>\$ 4,988,502</u>

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

MISSION PREPARATORY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 3,129,643
Federal revenues	1,245,294
Other state revenues	<u>2,151,442</u>
Total federal and state support and revenues	<u>6,526,379</u>
Local support and revenues	
Payments in lieu of property taxes	2,689,040
Parcel tax revenues	542,334
Grants and donations	105,121
Investment income, net	4,711
Other local revenues	<u>115,728</u>
Total local support and revenues	<u>3,456,934</u>
Total Support and Revenues	<u>9,983,313</u>
EXPENSES	
Program services	8,467,814
Supporting services	
Management and general	1,578,650
Fundraising	<u>2,157</u>
Total Expenses	<u>10,048,621</u>
CHANGE IN NET ASSETS	(65,308)
Net Assets - Beginning	<u>2,795,474</u>
Net Assets - Ending	<u>\$ 2,730,166</u>

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

MISSION PREPARATORY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 2,804,418	\$ 86,607	\$ -	\$ 2,891,025
Non-certificated salaries	1,990,764	52,273	-	2,043,037
Pension plan contributions	509,723	21,238	-	530,961
Payroll taxes	258,507	7,168	-	265,675
Other employee benefits	328,787	13,597	-	342,384
Total personnel expenses	5,892,199	180,883	-	6,073,082
Non-personnel expenses				
Books and supplies	1,021,265	20,703	-	1,041,968
Insurance	-	35,294	-	35,294
Facilities	174,902	303,397	-	478,299
Professional services	1,342,282	945,785	2,157	2,290,224
Interest expense	12,754	6,010	-	18,764
Fees to authorizing agency	-	58,186	-	58,186
Other operating expenses	24,412	28,392	-	52,804
Total non-personnel expenses	2,575,615	1,397,767	2,157	3,975,539
Total Expenses	\$ 8,467,814	\$ 1,578,650	\$ 2,157	\$ 10,048,621

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

**MISSION PREPARATORY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (65,308)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Lease expense - amortization of operating right-of-use asset	2,731
Interest expense - amortization of finance right-of-use asset	17,006
(Increase) decrease in operating assets	
Accounts receivable	96,464
Prepaid expenses	(1,310)
Increase (decrease) in operating liabilities	
Accounts payable	140,537
Deferred revenue	(359,552)
Net cash provided by (used in) operating activities	<u>(169,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on financed equipment	<u>(16,141)</u>
Net cash provided by (used in) financing activities	<u>(16,141)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(185,573)
Cash and cash equivalents - Beginning	<u>3,522,928</u>
Cash and cash equivalents - Ending	<u>\$ 3,337,355</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ 35,770</u>

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

**MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mission Preparatory, Inc. (the “Charter”) was formed as a nonprofit public benefit corporation on November 9, 2009 for the purpose of operating as a California public school located in San Francisco County. The Charter is numbered by the State Board of Education as California Charter No. 1270. The Mission Preparatory School equips kindergarten to eighth grade students with the knowledge, skills, and strength of character needed to succeed in college and serve as leaders in their communities. During the year ended June 30, 2024, the Charter served grades TK to 8.

The Mission Preparatory School is authorized to operate as a charter school through San Francisco Unified School District (the “authorizing agency” or “SFUSD”). In 2020, the Board of Directors of San Francisco Unified School District approved a charter renewal petition for a five-year term beginning July 1, 2021 and expiring on June 30, 2025. Due to AB 130 and SB 114, the charter petition end date has been extended to June 30, 2028. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Mission Preparatory, Inc. is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, Mission Preparatory, Inc. also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter’s financial statement presentation.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

F. In Lieu of Property Tax Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Mission Preparatory, Inc.. Revenues are recognized by the Charter when earned.

G. Functional Expenses

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

H. Cash and Investments

Mission Preparatory, Inc. considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Charter’s method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

I. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management’s judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2024, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

K. Lease Arrangements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, a new lease standard effective no later than the fiscal year 2022-23. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

L. Income Taxes

Mission Preparatory, Inc. is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

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

M. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2024, consists of cash in banks of \$3,337,355. As of June 30, 2024, Mission Preparatory, Inc.'s bank balance was not exposed to custodial credit risk as there were no deposits over \$250,000 in accounts at any one insured bank. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. The FDIC insures up to \$250,000 per depositor per insured bank. Mission Preparatory, Inc. policy is to maintain a sweep account to ensure exposure to custodial credit risk

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, consists of the following:

Local control funding sources, state aid	\$	266,454
Federal sources		372,395
Other state sources		247,256
In lieu property tax payments		360,898
Parcel tax payments		115,525
Other local sources		2,183
Total Accounts Receivable	\$	1,364,711

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2024, consists of the following:

Accrued vendor payables	\$	556,299
Salaries and benefits		203,460
Due to authorizing agency		20,154
Due to grantor government		104,732
Credit card liability		5,566
Total Accounts Payable	\$	890,211

NOTE 5 – DEFERRED REVENUE

Deferred revenue as of June 30, 2024, consists of the following:

State sources	\$	1,060,059
Local sources		26,076
Total Deferred Revenue	\$	1,086,135

NOTE 6 – OPERATING AND FINANCE LEASES

The Charter holds a facilities use agreement from San Francisco Unified School District for the use of a school site located at 1050 York Street in San Francisco, California. The facility is utilized for instructional services in order to meet the goals established by the Charter. The lease agreement covers a term ending June 30, 2026 and calls for payments to be made on a quarterly basis. During the fiscal year ended June 30, 2024, the Charter paid \$126,773 in lease payments under this operating lease. At June 30, 2024, the right-of-use asset was \$243,347 and the operating lease liability was \$252,781. The Charter has accounted for its operating lease agreement using an implied discount rate of 2.884%.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 6 – OPERATING AND FINANCE LEASES (continued)

The Charter holds a lease agreement for the use of copier equipment with a term ending February 14, 2026. During the fiscal year ended June 30, 2024, the Charter paid \$18,240 in lease payments under this finance lease. At June 30, 2024, the right-of-use asset was \$28,344 and the finance lease liability was \$29,209. The Charter has accounted for its finance lease agreement using an implied discount rate of 4.602%.

The associated assets and liabilities are amortized over the remaining term of the operating and finance leases as follows:

Fiscal Year Ending June 30,	Operating		Finance	
	Lease Liability	ROU Asset	Lease Liability	ROU Asset
2025	\$ 126,772	\$ 125,863	\$ 18,240	\$ 17,006
2026	134,388	125,863	12,160	11,338
Total lease payments	261,160	251,726	30,400	28,344
NPV adjustment	(8,379)	(8,379)	(1,191)	-
Total	\$ 252,781	\$ 243,347	\$ 29,209	\$ 28,344

NOTE 7 – NET ASSETS

As of June 30, 2024, the Charter did not hold any net assets with donor restrictions. At June 30, 2024, the Charter's net assets without donor restrictions consists of \$2,730,166 in undesignated amounts.

It is the Charter's policy to end each operating year with a reserve equal to or greater than five percent of annual expenditures. The Charter has met this reserve requirement for the fiscal year ended June 30, 2024.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 3,337,355
Accounts receivable	1,364,711
Prepaid expenses	14,745
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	(1,086,135)
Financial Assets available to meet cash needs	
for expenditures within one year	\$ 3,630,676

NOTE 9 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code 47605*, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS). The Charter also offers social security as an alternative plan to employees who may not qualify for CalSTRS.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 9 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers' Retirement System (CalSTRS)

Plan Description

Mission Preparatory, Inc. contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2023-24 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2023-24 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the fiscal year ended June 30, 2024 were \$530,961; 100% of the required contribution.

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Mission Preparatory, Inc. is estimated at \$234,792. The on-behalf payment amount is computed as the proportionate share of total 2022-23 State on-behalf contributions.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, The Mission Preparatory School is approved to operate as a public charter school through authorization by the San Francisco Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

The Charter makes payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total oversight fees amounted to \$58,186 for the fiscal year ending June 30, 2024. The Charter also holds a facilities use agreement that is accounted for as an operating lease (refer to Note 6).

Parcel Tax Revenue

San Francisco voters approved the Schools Parcel Tax ("Proposition G"), a 2018 ballot measure, for SFUSD that authorized the City and County of San Francisco to collect an annual tax per parcel of taxable real property in the City beginning July 1, 2018 through June 30, 2038. The funding is to be used for teacher salaries and benefits at traditional and charter public schools. Effective July 1, 2021, Proposition G was replaced by the Proposition J Parcel Tax when San Francisco voters passed the 2020 ballot measure. Proposition J allows SFUSD to continue the use of money collected through this tax for the same purposes as Proposition G. A portion collected by SFUSD is allocated to the Organization's charter schools. In addition to Measure J, City voters previously approved the ballot initiative Proposition H, establishing the Public Education Enrichment Fund (PEEF) and Proposition A establishing the Quality Teacher and Education Act (QTEA). The Organization is also allocated funding from each of these parcel taxes to support its educational goals. During the year ended June 30, 2024, the Charter recognized revenue of \$542,334 attributed to parcel tax collections.

MISSION PREPARATORY, INC.
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Governmental Funds

Mission Preparatory, Inc. has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 9 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Charter may become involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2024.

NOTE 11 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Mission Preparatory, Inc. in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did receive donated legal services valued at \$7,500 that did qualify to be reported during the year ended June 30, 2024, which were valued at fair market value.

NOTE 12 – SUBSEQUENT EVENTS

Mission Preparatory, Inc. has evaluated subsequent events for the period from June 30, 2024 through December 12, 2024, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

MISSION PREPARATORY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 177,874
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	16,396
Title III, English Learner Student Program	84.365	14346	24,488
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	11,335
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	445,458
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	87,955
Subtotal Education Stabilization Fund Discretionary Grants			<u>533,413</u>
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	<u>75,396</u>
Total U. S. Department of Education			<u>838,902</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition: National School Lunch Program	10.555	13391	<u>406,330</u>
Total U. S. Department of Agriculture			<u>406,330</u>
Total Federal Expenditures			<u>\$ 1,245,232</u>

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2024 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2024.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 1,245,294
Education Stabilization Fund Discretionary Grants	84.425	<u>(62)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 1,245,232</u>

**MISSION PREPARATORY, INC.
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2024**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	211.66	210.87
Fourth through sixth	150.59	149.65
Seventh through eighth	93.72	92.92
Special education		
Kindergarten through third	0.95	0.93
Total Average Daily Attendance - Classroom-Based	<u>456.92</u>	<u>454.37</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Regular		
Kindergarten* through third	1.36	1.94
Fourth through sixth	0.48	0.99
Seventh through eighth	0.31	1.07
Total Average Daily Attendance - Nonclassroom-Based	<u>2.15</u>	<u>4.00</u>
Total Average Daily Attendance	<u>459.07</u>	<u>458.37</u>

*Includes Transitional Kindergarten (TK)

**MISSION PREPARATORY, INC.
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2024**

This schedule presents information on the amount of instructional time offered per grade level by the charter school and whether the charter school complied with the provisions of *Education Code Section 47612.5*.

Grade Level	Minutes Requirement	2023-24 Instructional Minutes	2023-24 Number of Days	Status
Kindergarten*	36,000	75,385	189	Complied
Grade 1	50,400	72,550	189	Complied
Grade 2	50,400	72,550	189	Complied
Grade 3	50,400	72,550	189	Complied
Grade 4	54,000	72,550	189	Complied
Grade 5	54,000	72,550	189	Complied
Grade 6	54,000	72,550	189	Complied
Grade 7	54,000	72,550	189	Complied
Grade 8	54,000	72,550	189	Complied

*Includes Transitional Kindergarten (TK)

**MISSION PREPARATORY, INC.
 RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
 STATEMENTS
 JUNE 30, 2024**

This schedule provides the information necessary to reconcile fund balance/net position reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

June 30, 2024, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 2,707,104</u>
Adjustments:	
Increase (decrease) in total net assets:	
Client accrual adjustments after UA submission	<u>23,062</u>
June 30, 2024, net assets per audited financial statements	<u>\$ 2,730,166</u>

OTHER INFORMATION

**MISSION PREPARATORY, INC.
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2024**

This schedule provides information about the local education agency (LEA or charter school), including the charter school’s authorizing agency, grades served, members of the governing body, and members of the administration.

Mission Preparatory, Inc., located in San Francisco County, was formed as a nonprofit public benefit corporation on November 9, 2009. The charter school operated by the nonprofit, The Mission Preparatory School, is numbered by the State Board of Education as Charter No. 1270. The Mission Preparatory School is authorized to operate as a charter school through San Francisco Unified School District. During 2023-24, the Charter served approximately 490 students in grades TK to 8.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Jesus Gardia-Valdez	Chair	2027
Daniel Goldberg	Vice Chair	2024
David Monte	Treasurer	2024
Christina Craig-Chardon	Secretary	2025
Karla Gandiga	Member	2027
Nick Driver	Member	2026
Lucy Fuentes	Member	2026
Andrea Ruiz de Bustamante	Member	2025
Siobhan K. Cronin	Member	2027

ADMINISTRATION

Cynthia Jerez, M.Ed.
Executive Director

OTHER INDEPENDENT AUDITORS' REPORTS



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

Independent Auditors' Report

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mission Preparatory, Inc. (the "Charter") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 12, 2024



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

Independent Auditors' Report

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mission Preparatory, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mission Preparatory, Inc.'s major federal programs for the year ended June 30, 2024. Mission Preparatory, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mission Preparatory, Inc. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mission Preparatory, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mission Preparatory, Inc.'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 Mission Preparatory, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mission Preparatory, Inc.'s compliance based on our audit.

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Auditor's Responsibilities for the Audit of Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Mission Preparatory, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional 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 Mission Preparatory, Inc.'s compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Mission Preparatory, Inc.'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mission Preparatory, Inc.'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 in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 12, 2024



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REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

To the Board of Directors of
Mission Preparatory, Inc.
San Francisco, California

Report on State Compliance

Opinion on State Compliance

We have audited Mission Preparatory, Inc.'s compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Mission Preparatory, Inc.'s state program requirements for the fiscal year ended June 30, 2024. Reference to Mission Preparatory, Inc. within this letter is inclusive of The Mission Preparatory School (Charter No. 1270).

In our opinion, Mission Preparatory, Inc. complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2024, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mission Preparatory, Inc.'s compliance based on our audit.

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Auditor’s Responsibilities for the Audit for State Compliance (continued)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Mission Preparatory, Inc.'s compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional 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 Mission Preparatory, Inc.'s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mission Preparatory, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Mission Preparatory, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Mission Preparatory, Inc.'s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

**We did not perform testing of Nonclassroom-Based Instruction/Independent Study because ADA was not material.*

“Not applicable” is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 12, 2024

FINDINGS AND QUESTIONED COSTS SECTION

**MISSION PREPARATORY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

PART I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425U	Education Stabilization Fund Discretionary Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2023-24 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2024.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2024.

PART IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2024.

**MISSION PREPARATORY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

PART V – SUMMARY OF PRIOR AUDIT FINDINGS

This section presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2023.