

EXCEL ACADEMY CHARTER SCHOOLS

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

Operated by:

**Excel Academy Charter School – Helendale – Charter #2073
Excel Academy Charter School – Warner – Charter #2053**

Draft - For Discussion Only

**EXCEL ACADEMY CHARTER SCHOOLS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Excel Academy Charter Schools
Irvine, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Excel Academy Charter Schools (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses 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 the School as of June 30, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Excel Academy Charter Schools 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *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 the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School’s financial statements as a whole. The Excel - Helendale, Excel - Warner, and Eliminations columns in the statements of financial position, activities, and cash flows as well as the supplementary information (as identified in the table of contents) accompanying supplementary schedules, and the accompanying 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* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and, except for the portion marked “unaudited”, 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. The Local Education Agency Organization Structure, which is marked “unaudited”, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

EXCEL ACADEMY CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS	<u>Excel - Helendale</u>	<u>Excel - Warner</u>	<u>Total</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,911,326	\$ 4,728,052	\$ 7,639,378
Accounts Receivable	1,022,605	1,064,367	2,086,972
Prepaid Expenses and Other Assets	51,447	100,743	152,190
Total Current Assets	<u>3,985,378</u>	<u>5,893,162</u>	<u>9,878,540</u>
LONG-TERM ASSETS			
Operating Right-Of-Use Asset	40,599	82,428	123,027
Total Long-Term Assets	<u>40,599</u>	<u>82,428</u>	<u>123,027</u>
Total Assets	<u><u>4,025,977</u></u>	<u><u>5,975,590</u></u>	<u><u>10,001,567</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 588,624	\$ 536,938	\$ 1,125,562
Deferred Revenue	118,267	160,693	278,960
Loans Payable	-	62,494	62,494
Lease Liability - Operating, Current	28,099	57,050	85,149
Total Current Liabilities	<u>734,990</u>	<u>817,175</u>	<u>1,552,165</u>
LONG-TERM LIABILITIES			
Lease Liability - Operating, Net	13,285	26,973	40,258
Total Long-Term Liabilities	<u>13,285</u>	<u>26,973</u>	<u>40,258</u>
Total Liabilities	748,275	844,148	1,592,423
NET ASSETS			
Net Assets Without Donor Restrictions	3,277,702	5,131,442	8,409,144
Total Net Assets	<u>3,277,702</u>	<u>5,131,442</u>	<u>8,409,144</u>
Total Liabilities and Net Assets	<u><u>\$ 4,025,977</u></u>	<u><u>\$ 5,975,590</u></u>	<u><u>\$ 10,001,567</u></u>

See accompanying Notes to Financial Statements.

**EXCEL ACADEMY CHARTER SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	<u>Excel - Helendale</u>	<u>Excel - Warner</u>	<u>Total</u>
REVENUES, WITHOUT DONOR RESTRICTIONS			
State Revenue:			
State Aid	\$ 5,774,355	\$ 10,533,718	\$ 16,308,073
Other State Revenue	1,433,921	2,827,728	4,261,649
Federal Revenue:			
Grants and Entitlements	269,228	607,088	876,316
Local Revenue:			
In-Lieu Property Tax Revenue	105,623	894,353	999,976
Investment Income	-	79,742	79,742
Other Revenue	1,249	18,241	19,490
Total Revenues	<u>7,584,376</u>	<u>14,960,870</u>	<u>22,545,246</u>
EXPENSES			
Program Services	5,529,673	11,136,580	16,666,253
Management and General	<u>713,895</u>	<u>1,516,690</u>	<u>2,230,585</u>
Total Expenses	<u>6,243,568</u>	<u>12,653,270</u>	<u>18,896,838</u>
CHANGE IN NET ASSETS	1,340,808	2,307,600	3,648,408
Net Assets Without Donor Restrictions - Beginning of Year	<u>1,936,894</u>	<u>2,823,842</u>	<u>4,760,736</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 3,277,702</u></u>	<u><u>\$ 5,131,442</u></u>	<u><u>\$ 8,409,144</u></u>

See accompanying Notes to Financial Statements.

**EXCEL ACADEMY CHARTER SCHOOLS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,340,808	\$ 2,307,600	\$ -	\$ 3,648,408
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:				
(Increase) Decrease in Assets:				
Accounts Receivable	312,705	(366,589)	-	(53,884)
Intercompany Receivables	-	126,953	(126,953)	-
Prepaid Expenses and Other Assets	(39,302)	(72,404)	-	(111,706)
Operating Right-Of-Use Asset	(40,599)	(82,428)	-	(123,027)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Liabilities	411,184	316,349	-	727,533
Deferred Revenue	63,258	19,790	-	83,048
Intercompany Payables	(126,953)	-	126,953	-
Lease Liability - Operating	41,384	84,023	-	125,407
	<u>1,962,485</u>	<u>2,333,294</u>	<u>-</u>	<u>4,295,779</u>
Net Cash Provided by Operating Activities				

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of Factored Receivables Liability	-	(1,123,772)	-	(1,123,772)
Repayments of Debt	-	(62,502)	-	(62,502)
	<u>-</u>	<u>(1,186,274)</u>	<u>-</u>	<u>(1,186,274)</u>
Net Cash Used by Financing Activities				

CHANGE IN CASH AND CASH EQUIVALENTS

	1,962,485	1,147,020	-	3,109,505
Cash and Cash Equivalents - Beginning of Year	<u>948,841</u>	<u>3,581,032</u>	<u>-</u>	<u>4,529,873</u>

**CASH AND CASH EQUIVALENTS -
END OF YEAR**

	<u>\$ 2,911,326</u>	<u>\$ 4,728,052</u>	<u>\$ -</u>	<u>\$ 7,639,378</u>
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**SUPPLEMENTAL DISCLOSURE OF CASH
FLOW INFORMATION**

Cash Paid for Interest	<u>\$ 27,882</u>	<u>\$ 31,728</u>	<u>\$ -</u>	<u>\$ 59,610</u>
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See accompanying Notes to Financial Statements.

**EXCEL ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Excel - Helendale		
	Program Services	Management and General	Total
Salaries and Wages	\$ 2,936,687	\$ 279,511	\$ 3,216,198
Pension Expense	495,278	7,530	502,808
Other Employee Benefits	330,600	57,617	388,217
Payroll Taxes	57,315	18,147	75,462
Management Fees	179,931		179,931
Legal Expenses	103,072	-	103,072
Accounting Expenses	10,505	-	10,505
Instructional Materials	666,303	5,869	672,172
Other Fees for Services	466,749	265,377	732,126
Advertising and Promotion Expenses	5,330	-	5,330
Office Expenses	20,080	-	20,080
Information Technology Expenses	102,404	-	102,404
Occupancy Expenses	4,767	26,712	31,479
Travel Expenses	21,609	14,143	35,752
Interest Expense	27,882		27,882
Insurance Expense	3,265	18,611	21,876
Other Expenses	97,896	20,378	118,274
	<u>\$ 5,529,673</u>	<u>\$ 713,895</u>	<u>\$ 6,243,568</u>
Total Expenses by Function			
	Excel - Warner		
	Program Services	Management and General	Total
Salaries and Wages	\$ 6,013,448	\$ 617,017	\$ 6,630,465
Pension Expense	1,032,756	17,469	1,050,225
Other Employee Benefits	730,139	125,800	855,939
Payroll Taxes	114,203	39,742	153,945
Management Fees	175,733	-	175,733
Legal Expenses	198,808	-	198,808
Accounting Expenses	20,392	-	20,392
Instructional Materials	1,119,857	12,148	1,132,005
Other Fees for Services	1,179,615	531,924	1,711,539
Advertising and Promotion Expenses	11,397	-	11,397
Office Expenses	40,104	-	40,104
Information Technology Expenses	203,771	-	203,771
Occupancy Expenses	9,713	54,908	64,621
Travel Expenses	51,621	33,597	85,218
Interest Expense	31,728	-	31,728
Insurance Expense	7,618	41,314	48,932
Other Expenses	195,677	42,771	238,448
	<u>\$ 11,136,580</u>	<u>\$ 1,516,690</u>	<u>\$ 12,653,270</u>
Total Expenses by Function			

See accompanying Notes to Financial Statements.

**EXCEL ACADEMY CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

	Total		
	Program Services	Management and General	Total
Salaries and Wages	\$ 8,950,135	\$ 896,528	\$ 9,846,663
Pension Expense	1,528,034	24,999	1,553,033
Other Employee Benefits	1,060,739	183,417	1,244,156
Payroll Taxes	171,518	57,889	229,407
Management Fees	355,664	-	355,664
Legal Expenses	301,880	-	301,880
Accounting Expenses	30,897	-	30,897
Instructional Materials	1,786,160	18,017	1,804,177
Other Fees for Services	1,646,364	797,301	2,443,665
Advertising and Promotion Expenses	16,727	-	16,727
Office Expenses	60,184	-	60,184
Information Technology Expenses	306,175	-	306,175
Occupancy Expenses	14,480	81,620	96,100
Travel Expenses	73,230	47,740	120,970
Interest Expense	59,610	-	59,610
Insurance Expense	10,883	59,925	70,808
Other Expenses	293,573	63,149	356,722
	<u>\$ 16,666,253</u>	<u>\$ 2,230,585</u>	<u>\$ 18,896,838</u>
Total Expenses by Function			

See accompanying Notes to Financial Statements.

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Excel Academy Charter Schools (the School) consists of two charter schools and is part of a nonprofit benefit corporation under the laws of the state of California. As of June 30, 2023, the School operated the following charter schools:

- Excel Academy Charter School – Helendale
- Excel Academy Charter School – Warner

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, and office expenses, which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

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

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

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

Accounts Receivables

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2023. Management believes that all receivables are fully collectible, therefore, no provisions for uncollectible accounts were recorded.

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restriction.

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2023, the School has conditional grants of \$493,597 of which \$278,960 is recognized as deferred revenue in the statement of financial position.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

Income Taxes

The School is part of a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School files and exempt school return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Leases

The School leases facilities and equipment”]. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and operating lease liabilities on the statement of financial position. Finance leases are included in financing ROU assets, and lease liabilities – financing on the statement of financial position.

EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the School's right to use an underlying asset for the lease term and lease liabilities represent the School's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the School uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statement of financial position.

The School has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the School considers factors such as if the School has obtained substantially all of the rights to the underlying asset through exclusivity, if the School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the School has elected to use a incremental borrowing rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Adoption of New Accounting Standards

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption with certain practical expedients available.

EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

The School elected the available practical expedients to account for existing capital leases and operating leases as operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the School elected the hindsight practical expedient to determine the lease term for existing leases.

As a result of the adoption of the new lease accounting guidance, the School recognized on July 1, 2022 a ROU asset at the carrying amount of the lease asset of \$201,106. The School also recognized on July 1, 2022 a lease liability of \$201,106, which represents the present value of the remaining lease payments discounted using the School's incremental borrowing rate ranging from 2.88%.

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Evaluation of Subsequent Events

The School has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$9,726,350.

As part of its liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities, and other obligations come due.

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 CONCENTRATION OF CREDIT RISK

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The School also maintains cash in the County Treasury (the County). The County pools these funds with those of other educational Schools in the County and invests the cash. These pooled funds are carried at costs which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or collateralized. The fair value of the School's deposits in this pool as of June 30, 2023, as provided by the pool sponsor was \$6,688,478.

NOTE 4 REVOLVING PROMISSORY NOTE

On March 15, 2021, the School entered into an agreement with Charter Asset Management to factor attendance and grant receivables. On August 30, 2021, the School converted the factored receivable liability into a revolving promissory note, in the amount of \$4,500,000. The revolving promissory note repayments are over four installments from March 15 to August 31, 2023. The total revolving promissory note at June 30, 2023 is \$0.

NOTE 5 LOANS PAYABLE

California Department of Education Loan

The School received a revolving loan from the California Department of Education (CDE) of \$250,000. The loan requires annual principal payments of \$62,500 and has a term of four years. The loan carries an interest rate of approximately 2%. Annual payments of principal and interest are deducted from the School's apportionment. The outstanding amount for the CDE loan at June 30, 2023 was \$62,494.

Future maturities of loans payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	<u>\$ 62,494</u>
Total	<u>\$ 62,494</u>

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 EMPLOYEE RETIREMENT

Multiemployer Defined Benefit Pension Plans

Qualified employees are covered under multiemployer defined benefit pension plans maintained by agencies of the state of California. The risks of participating in this multiemployer defined benefit pension plan are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiemployer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2022 total STRS plan net assets are \$300 billion, the total actuarial present value of accumulated plan benefits is \$434 billion, contributions from all employers totaled \$6.513 billion, and the plan is 74.4% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826, and www.calstrs.com.

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 10.21% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for year ended June 30, 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended June 30,</u>	<u>Contribution</u>	<u>Contributed</u>
2021	\$ 1,201,488	100%
2022	1,314,633	100%
2023	1,553,033	100%

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 7 OPERATING LEASES – ASC 842

The School leases equipment as well as certain office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through January 2028. The expected amount payable under the residual guarantees is estimated to be \$125,407 at June 30, 2023. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the School to pay real estate taxes, insurance, and repairs. Some lease agreements also require the School to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2023, the School believes it was in compliance with all ratios and covenants.

The following table provides quantitative information concerning the School's lease for the year ended June 30, 2023:

Lease Costs:	
Operating Lease Cost	\$ 86,161
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 83,781
Right-Of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	3,742
Weighted-Average Remaining Lease Term - Operating Leases	1.4 years
Weighted-Average Discount Rate - Operating Leases	2.89%

The School classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2024	\$ 87,665
2025	38,360
2026	1,145
2027	780
2028	455
Total Lease Payments	128,405
Less: Interest	(2,998)
Present Value of Lease Liabilities	<u>\$ 125,407</u>

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 CONTINGENCIES, RISKS, AND UNCERTAINTIES

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

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SUPPLEMENTARY INFORMATION

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**EXCEL ACADEMY CHARTER SCHOOLS
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED**

Excel Academy Charter Schools (the School) consists of two charter schools and is part of a nonprofit benefit corporation under the laws of the state of California. As of June 30, 2023, the School operated the following charter schools:

- Excel Academy Charter School – Helendale
- Excel Academy Charter School – Warner

Excel Academy Charter School - Helendale was established in 2019 when it was granted its charter through Helendale Elementary School District (HESD) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. The charter school number is: 2073.

Excel Academy Charter School - Warner was established in 2019, when it was granted its charter through Warner Unified School District (WUSD) and its charter school status from the California Department of Education. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. The charter school number is: 2053.

The Board of Directors and the Administrators as of the year ended June 30, 2023 were as follows:

Excel Academy Charter Schools - BOARD OF DIRECTORS

Member	Office	Term Expires
William Hall	President	September 28, 2025
Michael Humphrey	Vice President	September 28, 2025
Steve Fraire	Clerk	September 28, 2023
Susan Houle	Member	September 28, 2023
Larry Alvarado	Member	November 12, 2025

ADMINISTRATORS

Heidi Gasca Executive Director

**EXCEL ACADEMY CHARTER SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023**

The Organization operates a 100% Independent Study program and does not operate a full-time Classroom-Based program; therefore, a Schedule of Instructional Time is not applicable.

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**EXCEL ACADEMY CHARTER SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Excel - Helendale				
Grades K-3	-	235.25	-	235.67
Grades 4-6	-	140.66	-	141.29
Grades 7-8	-	79.33	-	79.46
Grades 9-12	-	90.67	-	91.99
ADA Totals	-	545.91	-	548.41
<hr/>				
Excel - Warner				
Grades K-3	-	435.29	-	433.36
Grades 4-6	-	269.49	-	270.09
Grades 7-8	-	169.67	-	170.42
Grades 9-12	-	180.56	-	179.70
ADA Totals	-	1,055.01	-	1,053.57

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**EXCEL ACADEMY CHARTER SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

	Excel - Helendale	Excel - Warner
June 30, 2023 Annual Financial Fund Balances (Net Assets)	<u>\$ 3,270,088</u>	<u>\$ 5,079,769</u>
Adjustments and Reclassifications:		
Increase (Decrease) of Fund Balance (Net Assets):		
Accounts Receivable	41,929	78,665
Operating ROU Asset	40,599	82,428
Accounts Payable and Accrued Liabilities	(88,525)	(137,011)
Deferred Revenue	54,995	111,614
Lease Liability - Operating	<u>(41,384)</u>	<u>(84,023)</u>
Net Adjustments and Reclassifications	7,614	51,673
June 30, 2023 Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 3,277,702</u></u>	<u><u>\$ 5,131,442</u></u>

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**EXCEL ACADEMY CHARTER SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Additional Award Identification	Excel - Helendale	Excel - Warner	Federal Expenditures Total
U.S. Department of Education						
Pass-Through Programs From California Department of Education:						
Every Child Succeeds Act:						
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		\$ 80,105	\$ 131,075	\$ 211,180
Title II, Part A, Improving Teacher Quality	84.367	14341		15,755	26,831	42,586
Special Education Cluster: IDEA Basic Local						
Assistance Entitlement, Part B, Section 611	84.027	13379		111,840	247,032	358,872
Total Special Education Cluster				<u>111,840</u>	<u>247,032</u>	<u>358,872</u>
Coronavirus Aid, Relief, and Economic Security Act (CARES Act):						
Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	COVID-19	9,469	22,543	32,012
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	COVID-19	13	-	13
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	COVID-19	41,256	98,221	139,477
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	COVID-19	10,632	81,109	91,741
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	COVID-19	158	277	435
Total Coronavirus Aid, Relief, and Economic Security Act (CARES Act)				<u>61,528</u>	<u>202,150</u>	<u>263,678</u>
Total U.S. Department of Education				<u>269,228</u>	<u>607,088</u>	<u>876,316</u>
Total Expenditures of Federal Awards				<u>\$ 269,228</u>	<u>\$ 607,088</u>	<u>\$ 876,316</u>

N/A - Not Applicable and/or Not Available.

**EXCEL ACADEMY CHARTER SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

PURPOSE OF SCHEDULES

NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME

This Schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of 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.

NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

This Schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.

NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the School.

NOTE 5 INDIRECT COST RATE

The School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

Board of Directors
Excel Academy Charter Schools
Irvine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Excel Academy Charter Schools (the School), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

Draft - For Discussion Only

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE**

Board of Directors
Excel Academy Charter Schools
Irvine, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Excel Academy Charter Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Excel Academy Charter Schools' major federal programs for the year ended June 30, 2023. Excel Academy Charter Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Excel Academy Charter Schools complied, in all material respects, with the 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, 2023.

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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

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

In performing an audit in accordance with GAAS, *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 Excel Academy Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Excel Academy Charter Schools' 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Excel Academy Charter Schools' 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER STATE COMPLIANCE

Board of Directors
Excel Academy Charter Schools
Irvine, California

Report on Compliance

Opinion on State Compliance

We have audited Excel Academy Charter Schools' (the School) compliance with the types of compliance requirements applicable to the School described in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2023. The School's applicable state compliance requirements are identified in the table below.

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

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility 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 the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, but not for the purpose of expressing an opinion on the effectiveness of the School'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.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the School’s compliance with the laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable ¹
After/Before School Education and Safety Program	Not Applicable ²
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 ³
Immunizations	Not Applicable ⁴
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant (CTEIG)	Not Applicable ⁵
Transitional Kindergarten	Not Applicable ⁶
Charter Schools:	
Attendance	Yes
Mode of Instruction	Not Applicable ⁷
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Not Applicable ⁸
Charter School Facility Grant Program	Not Applicable ⁹

Not Applicable¹: The School did not have any expenditures for California Clean Energy Jobs Act in the year under audit or a completed project between 12 and 15 months prior to any month in the audit year.

Not Applicable²: The School did not operate an after or before school program component of this grant.

Not Applicable³: The School did not report ADA pursuant to Education Code section 51749.5.

Not Applicable⁴: The School did not have any charter school subject to audit of immunizations as listed in the California Department of Public Health (CDPH) website as listed in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Not Applicable⁵: The School did not receive a CTEIG allocation for the audit year.

Not Applicable⁶: The School did not report ADA for the audit year for transitional kindergarten.

Not Applicable⁷: The School operates a 100% nonclassroom-based instruction (independent study).

Not Applicable⁸: The School operates a 100% Independent Study program and does not operate a full time Classroom based.

Not Applicable⁹: The School did not receive Charter School Facility Grant Program funding for the year audited.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
REPORT DATE

**EXCEL ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425C	Governor's Emergency Education Relief Fund (GEER)
84.425D	Elementary and Secondary School Emergency Relief II (ESSER II) Fund & Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve
84.425U	Elementary and Secondary School Emergency Relief III (ESSER III) Fund & Elementary and Secondary School Emergency Relief III (ESSER III) Fund (ESSER III) Fund: Learning Loss

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**EXCEL ACADEMY CHARTER SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Findings and Questioned Costs – State Compliance

There were no findings or questioned costs related to state awards for June 30, 2023.

**EXCEL ACADEMY CHARTER SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

There were no findings and questioned costs related to the basic financial statements, federal awards or state awards for the prior year.

Draft - For Discussion Only