

CALIFORNIA ONLINE PUBLIC SCHOOLS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

OPERATING CHARTER SCHOOLS:

CALIFORNIA CONNECTIONS ACADEMY CENTRAL VALLEY: #0804

CALIFORNIA CONNECTIONS ACADEMY NORTH BAY: #1653

CALIFORNIA CONNECTIONS ACADEMY SOUTHERN CALIFORNIA: #0664

CALIFORNIA CONNECTIONS ACADEMY NORTHERN CALIFORNIA: #1398

CALIFORNIA CONNECTIONS ACADEMY CENTRAL COAST: #2031

CALIFORNIA CONNECTIONS ACADEMY MONTEREY BAY: #2056

Tentative - For Discussion Purposes Only; Subject to Revision

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YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
California Online Public Schools
San Juan Capistrano, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of California Online Public Schools (the Organization), 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 Organization 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 the Organization 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with response to this matter.

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 Organization'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 Organization'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 Organization'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 Organization’s financial statements as a whole. The Organization locations columns: Central Valley, North Bay, Southern California, Northern California, Central Coast, Monterey Bay, 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 March 5, 2024 on our consideration of the Organization’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 Organization’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Glendora, California
March 5, 2024

**CALIFORNIA ONLINE PUBLIC SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

| ASSETS | <u>Central Valley</u> | <u>North Bay</u> | <u>Southern California</u> | <u>Northern California</u> | <u>Central Coast</u> | <u>Monterey Bay</u> | <u>Eliminations</u> | <u>Total</u> |
|--|-----------------------|---------------------|----------------------------|----------------------------|----------------------|---------------------|-----------------------|----------------------|
| CURRENT ASSETS | | | | | | | | |
| Cash and Cash Equivalents | \$ 5,465,364 | \$ 1,192,946 | \$ 23,046,830 | \$ 9,004,649 | \$ 977,537 | \$ 2,411,641 | \$ - | \$ 42,098,967 |
| Accounts Receivable - State and Federal | 2,470,744 | 290,425 | 7,052,220 | 9,084,832 | 489,631 | 380,082 | - | 19,767,934 |
| Intercompany Receivables | - | 27,232 | 8,405,160 | - | - | - | (8,432,392) | - |
| Prepaid Expenses and Other Assets | 5,990 | 905 | 373,114 | 13,514 | (355) | (1,870) | - | 391,298 |
| Total Current Assets | <u>7,942,098</u> | <u>1,511,508</u> | <u>38,877,324</u> | <u>18,102,995</u> | <u>1,466,813</u> | <u>2,789,853</u> | <u>(8,432,392)</u> | <u>62,258,199</u> |
| LONG-TERM ASSETS | | | | | | | | |
| Deposits | 100 | - | 20,287 | - | - | - | - | 20,387 |
| Property, Plant, and Equipment, Net | 0 | - | 22,043 | 144,783 | - | - | - | 166,826 |
| Operating Right-of-Use Assets, Net | 34,236 | 8,559 | 265,335 | 89,870 | 4,279 | 25,677 | - | 427,956 |
| Total Long-Term Assets | <u>34,336</u> | <u>8,559</u> | <u>307,665</u> | <u>234,653</u> | <u>4,279</u> | <u>25,677</u> | <u>-</u> | <u>615,169</u> |
| Total Assets | <u>\$ 7,976,434</u> | <u>\$ 1,520,067</u> | <u>\$ 39,184,989</u> | <u>\$ 18,337,648</u> | <u>\$ 1,471,092</u> | <u>\$ 2,815,530</u> | <u>\$ (8,432,392)</u> | <u>\$ 62,873,368</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 2,734,062 | \$ 407,009 | \$ 14,645,000 | \$ 7,358,268 | \$ 337,083 | \$ 1,012,151 | \$ - | \$ 26,493,573 |
| Intercompany Payables | 1,339,554 | - | - | 5,359,596 | 756,719 | 976,523 | (8,432,392) | - |
| Deferred Revenue | 1,280,603 | 311,495 | 7,966,730 | 2,366,373 | 174,508 | 500,815 | - | 12,600,524 |
| Operating Lease Liabilities, Current | 32,097 | 8,024 | 248,755 | 84,255 | 4,013 | 24,074 | - | 401,218 |
| Total Current Liabilities | <u>5,386,316</u> | <u>726,528</u> | <u>22,860,485</u> | <u>15,168,492</u> | <u>1,272,323</u> | <u>2,513,563</u> | <u>(8,432,392)</u> | <u>39,495,315</u> |
| LONG-TERM LIABILITIES | | | | | | | | |
| Operating Lease Liabilities, Net | 4,507 | 1,127 | 34,929 | 11,831 | 563 | 3,379 | - | 56,336 |
| Total Liabilities | <u>5,390,823</u> | <u>727,655</u> | <u>22,895,414</u> | <u>15,180,323</u> | <u>1,272,886</u> | <u>2,516,942</u> | <u>(8,432,392)</u> | <u>39,551,651</u> |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | | | | | | | |
| Total Liabilities and Net Assets | <u>\$ 7,976,434</u> | <u>\$ 1,520,067</u> | <u>\$ 39,184,989</u> | <u>\$ 18,337,648</u> | <u>\$ 1,471,092</u> | <u>\$ 2,815,530</u> | <u>\$ (8,432,392)</u> | <u>\$ 62,873,368</u> |

**CALIFORNIA ONLINE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

| | Central Valley | North Bay | Southern California | Northern California | Central Coast | Monterey Bay | Total |
|--|---------------------|-------------------|------------------------|------------------------|-------------------|-------------------|----------------------|
| REVENUES WITHOUT DONOR RESTRICTIONS | | | | | | | |
| State Revenue: | | | | | | | |
| State Aid | \$ 7,000,511 | \$ 1,062,197 | \$ 16,614,384 | \$ 16,104,982 | \$ 550,292 | \$ 2,419,031 | \$ 43,751,397 |
| Other State Revenue | 775,816 | 209,885 | 5,812,893 | 1,973,385 | 128,629 | 548,308 | 9,448,916 |
| Federal Revenue: | | | | | | | |
| Grants and Entitlements | 608,827 | 153,042 | 2,710,662 | 1,441,207 | 12,307 | 64,358 | 4,990,403 |
| Local Revenue: | | | | | | | |
| In-Lieu Property Tax Revenue | 524,604 | 559,457 | 40,029,947 | 2,620,093 | 691,690 | 2,675,309 | 47,101,100 |
| Investment Income | 3,301 | 755 | 55,397 | 36,101 | 6,021 | 7,990 | 109,565 |
| Other Revenue | 26,303 | 7,756 | 485,634 | 60,209 | 3,158 | 17,174 | 600,234 |
| Total Revenues | <u>8,939,362</u> | <u>1,993,092</u> | <u>65,708,917</u> | <u>22,235,977</u> | <u>1,392,097</u> | <u>5,732,170</u> | <u>106,001,615</u> |
| EXPENSES | | | | | | | |
| Program Services | 6,365,791 | 1,420,604 | 46,143,238 | 16,762,518 | 958,281 | 4,599,175 | 76,249,607 |
| Management and General | 1,765,482 | 402,637 | 12,883,979 | 4,620,662 | 259,483 | 1,218,870 | 21,151,113 |
| Total Expenses | <u>8,131,273</u> | <u>1,823,241</u> | <u>59,027,217</u> | <u>21,383,180</u> | <u>1,217,764</u> | <u>5,818,045</u> | <u>97,400,720</u> |
| CHANGE IN NET ASSETS | 808,089 | 169,851 | 6,681,700 | 852,797 | 174,333 | (85,875) | 8,600,895 |
| Net Assets Without Donor Restrictions - Beginning of Year | <u>1,777,522</u> | <u>622,561</u> | <u>9,607,875</u> | <u>2,304,528</u> | <u>23,873</u> | <u>384,463</u> | <u>14,720,822</u> |
| NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR | <u>\$ 2,585,611</u> | <u>\$ 792,412</u> | <u>\$ 16,289,575</u> | <u>\$ 3,157,325</u> | <u>\$ 198,206</u> | <u>\$ 298,588</u> | <u>\$ 23,321,717</u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023**

| | Central Valley | North Bay | Southern California | Northern California | Central Coast | Monterey Bay | Total |
|--|---------------------|---------------------|------------------------|------------------------|-------------------|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Change in Net Assets | \$ 808,089 | \$ 169,851 | \$ 6,681,700 | \$ 852,797 | \$ 174,333 | \$ (85,875) | \$ 8,600,895 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | | | | | | |
| Depreciation | - | - | 2,168 | 23,352 | - | - | 25,520 |
| Noncash Lease Expense | 2,368 | 592 | 18,349 | 6,216 | 297 | 1,776 | 29,598 |
| Change in Operating Assets: | | | | | | | |
| Accounts Receivable - Federal and State | (300,155) | (48,182) | (3,458,463) | (4,407,330) | (345,728) | 2,280,915 | (6,278,943) |
| Intercompany Receivables | - | (27,232) | (1,464,772) | - | - | - | (1,492,004) |
| Prepaid Expenses and Other Assets | 2,300 | 596 | (140,396) | 138,680 | 355 | 1,870 | 3,405 |
| Change in Operating Liabilities: | | | | | | | |
| Accounts Payable and Accrued Liabilities | 1,681,246 | 104,894 | (1,577,301) | 4,889,998 | (95,843) | (145,982) | 4,857,012 |
| Intercompany Payables | 684,098 | (186,056) | - | 1,928,972 | 34,404 | (969,414) | 1,492,004 |
| Deferred Revenue | 1,124,294 | 250,533 | 6,659,109 | 1,886,373 | 138,193 | 479,422 | 10,537,924 |
| Net Cash Provided (Used) by Operating Activities | <u>4,002,240</u> | <u>264,996</u> | <u>6,720,394</u> | <u>5,319,058</u> | <u>(93,989)</u> | <u>1,562,712</u> | <u>17,775,411</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Purchases of Property, Plant, and Equipment | - | - | - | (168,135) | - | - | (168,135) |
| Net Cash Used by Investing Activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(168,135)</u> | <u>-</u> | <u>-</u> | <u>(168,135)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 4,002,240 | 264,996 | 6,720,394 | 5,150,923 | (93,989) | 1,562,712 | 17,607,276 |
| Cash and Cash Equivalents - Beginning of Year | <u>1,463,124</u> | <u>927,950</u> | <u>16,326,436</u> | <u>3,853,726</u> | <u>1,071,526</u> | <u>848,929</u> | <u>24,491,691</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 5,465,364</u> | <u>\$ 1,192,946</u> | <u>\$ 23,046,830</u> | <u>\$ 9,004,649</u> | <u>\$ 977,537</u> | <u>\$ 2,411,641</u> | <u>\$ 42,098,967</u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total Expenses</u> |
|------------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Salaries and Wages | \$ 27,713,785 | \$ 5,457,556 | \$ 33,171,341 |
| Pension Expenses | 4,674,268 | 533,524 | 5,207,792 |
| Other Employee Benefits | 7,092,283 | 1,391,677 | 8,483,960 |
| Payroll Taxes | 508,418 | 215,976 | 724,394 |
| Contracted Services Fees | - | 6,956,481 | 6,956,481 |
| Legal Expenses | (84,581) | 170,105 | 85,524 |
| Accounting Expenses | - | 1,980,873 | 1,980,873 |
| Other Fees for Services | 11,271,093 | 304,021 | 11,575,114 |
| Advertising and Promotion Expenses | - | 1,624,226 | 1,624,226 |
| Office Expenses | 419,839 | 187,810 | 607,649 |
| Information Technology Expenses | 9,110,601 | 195,204 | 9,305,805 |
| Occupancy Expenses | 518,693 | 522,762 | 1,041,455 |
| Travel Expenses | 1,085,619 | 36,780 | 1,122,399 |
| Conference and Meeting Expenses | 1,197,186 | - | 1,197,186 |
| Depreciation Expense | - | 25,520 | 25,520 |
| Insurance Expenses | - | 11,094 | 11,094 |
| Other Expenses | 238,661 | 1,537,504 | 1,776,165 |
| Instructional Materials | <u>12,503,742</u> | <u>-</u> | <u>12,503,742</u> |
| Total | <u>\$ 76,249,607</u> | <u>\$ 21,151,113</u> | <u>\$ 97,400,720</u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

California Online Public Schools (the Organization) is a nonprofit public benefit corporation under the laws of the State of California for the purpose of managing and operating public charter schools. The Organization is economically dependent on state and federal funding.

Any of the charters may be revoked by their respective authorizing district for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other 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 Organization'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, office expenses, and other expenses, which are tracked by separate subgroups directly coded to program or supporting services.

Cash and Cash Equivalents

The Organization 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.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Accounts Receivable

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2023. Due from federal and state governments consists of funds 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.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, if purchased, or at estimated fair value, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The Organization capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. The entire compensated absences liability is reported on the statement of financial position. Employees of the Organization are paid for days or hours worked based upon Board-approved schedules which include vacation. For employees who work 10 months per year, sick leave is accumulated up to 32 hours per year, up to a maximum total of 64 hours. For employees who work 12 months per year, sick leave is accumulated up to 40 hours per year, up to a maximum total of 80 hours. Sick leave with pay is provided when employees are absent for health reasons. Unused sick leave is forfeited upon termination of employment.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Amounts received from the California Department of Education are conditional and recognized as revenue by the Organization 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.

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 Organization 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 Organization has conditional grants of \$18,957,972 of which \$12,600,524 is recognized as deferred revenue in the statement of financial position.

Other Revenue

Other revenue consists primarily of reimbursement for mandated state testing and other services. The performance obligation for providing these services is simultaneously received and consumed by the students; therefore, the revenue is recognized over the time consumed.

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 Organization 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.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit entity 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 Organization is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Organization files an exempt school return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

Leases

The Organization leases operating and office facilities. The Organization 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.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization'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 Organization uses its a risk-free 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 Organization will exercise that option. The Organization 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 Organization 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 Organization'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 Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization 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 Organization has elected to use a risk-free rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Organization 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.

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

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and 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 Organization 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 Organization recognized on July 1, 2022 a ROU asset at the carrying amount of the lease asset of \$793,306. The Organization also recognized on July 1, 2022 a lease liability of \$835,146, which represents the present value of the remaining lease payments discounted using the Organization's incremental borrowing rate of 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 Organization has evaluated subsequent events through March 5, 2024, the date these financial statements were available to be issued.

CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$61,866,901.

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

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization maintains bank accounts with financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization at times has deposits in excess of the FDIC insurance limit in these accounts. The Organization has not incurred losses related to these deposits.

The Organization maintains cash in the Orange County Treasury and Santa Barbara County Treasury (collectively referred to as the County). The County pools these funds with those of other educational organizations 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 Organization's deposits in this pool as of June 30, 2023, as provided by the pool sponsor was \$1,665,216.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$25,520 for the year ended June 30, 2023.

The components of property, plant, and equipment as of June 30, 2023 are as follows:

| | |
|---|--------------------------|
| Leasehold Improvements | \$ 168,135 |
| Furniture, Fixtures, and Equipment | 32,522 |
| Total | <u>200,657</u> |
| Less: Accumulated Depreciation and Amortization | (33,831) |
| Total Property, Plant, and Equipment | <u><u>\$ 166,826</u></u> |

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 5 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 Organization chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multiemployer plan.

Plan Description

The Organization contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. 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 Organization 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, California 95826 and www.calstrs.com.

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

| <u>Year Ended June 30,</u> | <u>Required Contribution</u> | <u>Percent Contributed</u> |
|----------------------------|----------------------------------|--------------------------------|
| 2021 | \$ 3,311,355 | 100% |
| 2022 | \$ 4,333,651 | 100% |
| 2023 | \$ 5,207,792 | 100% |

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 6 OPERATING LEASES – ASC 842

The Organization leases operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through August 2024. 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 Organization to pay real estate taxes, insurance, and repairs. Some lease agreements also require the Organization to comply with certain covenants and to maintain certain financial ratios. As of June 30, 2023, the Organization believes it was in compliance with all ratios and covenants.

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

| | |
|---|------------|
| Lease Cost: | |
| Operating lease cost | \$ 383,505 |
| Other Information: | |
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | \$ 395,747 |
| Right-of-use assets obtained in exchange for new operating lease liabilities: | 793,306 |
| Weighted-average remaining lease term - operating leases | 1.1 Years |
| Weighted-average discount rate - operating leases | 2.88% |

The Organization 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>Operating</u> |
| | 2024 | <u>Leases</u> |
| | 2025 | \$ 408,158 |
| | | 56,404 |
| | Total Lease Payments | <u>464,562</u> |
| | Less: Interest | <u>(7,008)</u> |
| | Present Value of Lease Liabilities | <u>\$ 457,554</u> |

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

NOTE 7 CONCENTRATION OF MAJOR CONTRACT AND DISCRETIONARY CREDIT

The Organization entered into an educational products and services agreement with Connections Education to provide certain educational products and services to the Organization, which expires on June 30, 2023. Services provided including fiscal support services, human resources services, technology, and marketing, among others. The agreement for services also includes a protection against deficits clause which states that in any year, during the term of the agreement, if the Organization does not have sufficient positive net assets to offset the difference between total revenues and total expenditures, Connections Education LLC shall issue a credit to the Organization to the extent required to maintain positive net asset. During the year ended June 30, 2023, Connections Education LLC did not issued credits to the Organization.

NOTE 8 CONTINGENCIES, RISKS AND UNCERTAINTIES

The Organization 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.

In the normal course of business, the Organization is subject to legal claims. After consultation with the Organization's legal counsel, management of the Organization is of the opinion that liabilities, if any, arising from such claims would not have a material effect on the Organization's financial position.

NOTE 9 SUBSEQUENT EVENT TRANSACTIONS

In November 2023, the Organization entered into a line of credit agreement for \$650,000 that expires in November 2028. Per the agreement, the monthly outstanding balance must be paid the following month.

CALIFORNIA ONLINE PUBLIC SCHOOLS
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)
UNAUDITED

The Organization is a tax exempt, nonprofit, public benefit corporation that operates six California public charter schools as follow:

- California Connections Academy Central Valley – Charter Number: 0804
Sponsor: Alpaugh Unified School District, established February 2006; Latest renewal: February 2021, expiring June 30, 2026. In July 2023, a new bill was approved to extend most charter school petitions terms by an additional year (June 30, 2027).
- California Connections Academy North Bay – Charter Number: 1653
Sponsor: Middletown Unified School District, established January 2014; Latest renewal: April 2019, expiring June 30, 2024. The adoption of Assembly Bill 130 extended the charter's term by two years. In July 2023, a new bill was approved to extend most charter school petitions terms by an additional year (June 30, 2027).
- California Connections Academy Southern California – Charter Number: 0664
Sponsor: Capistrano Unified School District, established June 2004; Latest renewal: December 2018, expiring June 30, 2024. The adoption of Assembly Bill 130 extended the charter's term by two years. In July 2023, a new bill was approved to extend most charter school petitions terms by an additional year (June 30, 2027).
- California Connections Academy Northern California – Charter Number: 1398
Sponsor: Ripon Unified School District, established February 2012; Latest renewal: The adoption of Assembly Bill 130 extended the charter's term by two years. In July 2023, a new bill was approved to extend most charter school petitions terms by an additional year (June 30, 2025).
- California Connections Academy Central Coast – Charter Number: 2031
Sponsor: Cuyama Joint Unified School District, established September 2018, expiring June 30, 2024. The adoption of Assembly Bill 130 extended the charter's term by two years. In July 2023, a new bill was approved to extend most charter school petitions terms by an additional year (June 30, 2027).
- California Connections Academy Monterey Bay – Charter Number: 2056
Sponsor: Scotts Valley Unified School District, established February 2019; Latest renewal: The adoption of Assembly Bill 130 extended the charter's term by two years. In July 2023, a new bill was approved to extend most charter school petitions terms by an additional year (June 30, 2025).

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (SEE INDEPENDENT AUDITORS' REPORT)
 UNAUDITED**

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

BOARD OF DIRECTORS

| Member | Office | Term Expires (Term Length) |
|--------------------|----------------|----------------------------|
| Elaine Pavlich | President | 2024 (3 Years) |
| Diana Rivas | Vice President | 2024 (3 Years) |
| Michael K. Henjum | Treasurer | 2024 (3 Years) |
| Adam Pulsipher | Secretary | 2023 (3 Years) |
| Paul Hedrick | Member | 2023 (3 Years) |
| Eric Wickliffe Jr. | Member | 2025 (3 Years) |
| Melissa Nunez | Member | 2025 (3 Years) |

ADMINISTRATORS

| | |
|-------------------|-------------------------------|
| Dr. Richie Romero | Deputy Superintendent |
| Dan Hertzler | Director of Business Services |
| LaChelle Carter | Director of Finance |

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2023**

The Organizations are nonclassroom-based charter schools; minimum instructional minute and day requirements are not applicable.

Tentative - For Discussion Purposes Only; Subject to Revision

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023**

| | Second Period Report | | Audit Adjustments | | Second Period Report (Audited) | |
|----------------------------|----------------------|----------|-------------------|--------|--------------------------------|----------|
| | Classroom Based | Total | Classroom Based | Total | Classroom Based | Total |
| Central Valley | | | | | | |
| Grades TK/K-3 | - | 143.33 | - | - | - | 143.33 |
| Grades 4-6 | - | 106.34 | - | - | - | 106.34 |
| Grades 7-8 | - | 117.12 | - | - | - | 117.12 |
| Grades 9-12 | - | 281.12 | - | - | - | 281.12 |
| ADA Totals | - | 647.91 | - | - | - | 647.91 |
| North Bay | | | | | | |
| Grades TK/K-3 | - | 23.11 | - | - | - | 23.11 |
| Grades 4-6 | - | 23.30 | - | - | - | 23.30 |
| Grades 7-8 | - | 26.96 | - | - | - | 26.96 |
| Grades 9-12 | - | 67.88 | - | - | - | 67.88 |
| ADA Totals | - | 141.25 | - | - | - | 141.25 |
| Southern California | | | | | | |
| Grades TK/K-3 | - | 965.98 | - | - | - | 965.98 |
| Grades 4-6 | - | 771.15 | - | - | - | 771.15 |
| Grades 7-8 | - | 884.97 | - | - | - | 884.97 |
| Grades 9-12 | - | 2,207.76 | - | - | - | 2,207.76 |
| ADA Totals | - | 4,829.86 | - | - | - | 4,829.86 |
| Northern California | | | | | | |
| Grades TK/K-3 | - | 315.32 | - | - | - | 315.32 |
| Grades 4-6 | - | 279.15 | - | - | - | 279.15 |
| Grades 7-8 | - | 323.42 | - | - | - | 323.42 |
| Grades 9-12 | - | 746.01 | - | (0.62) | - | 745.39 |
| ADA Totals | - | 1,663.90 | - | (0.62) | - | 1,663.28 |
| Central Coast | | | | | | |
| Grades TK/K-3 | - | 27.85 | - | - | - | 27.85 |
| Grades 4-6 | - | 16.05 | - | - | - | 16.05 |
| Grades 7-8 | - | 17.44 | - | - | - | 17.44 |
| Grades 9-12 | - | 48.69 | - | - | - | 48.69 |
| ADA Totals | - | 110.03 | - | - | - | 110.03 |
| Monterey Bay | | | | | | |
| Grades TK/K-3 | - | 83.34 | - | - | - | 83.34 |
| Grades 4-6 | - | 71.93 | - | - | - | 71.93 |
| Grades 7-8 | - | 83.38 | - | - | - | 83.38 |
| Grades 9-12 | - | 219.56 | - | - | - | 219.56 |
| ADA Totals | - | 458.21 | - | - | - | 458.21 |

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONTINUED)
YEAR ENDED JUNE 30, 2023**

| | Annual Report | | Audit Adjustments | | Annual Report (Audited) | |
|----------------------------|-----------------|----------|-------------------|--------|-------------------------|----------|
| | Classroom Based | Total | Classroom Based | Total | Classroom Based | Total |
| Central Valley | | | | | | |
| Grades TK/K-3 | - | 140.95 | - | - | - | 140.95 |
| Grades 4-6 | - | 106.17 | - | - | - | 106.17 |
| Grades 7-8 | - | 113.96 | - | - | - | 113.96 |
| Grades 9-12 | - | 270.33 | - | - | - | 270.33 |
| ADA Totals | - | 631.41 | - | - | - | 631.41 |
| North Bay | | | | | | |
| Grades TK/K-3 | - | 22.92 | - | - | - | 22.92 |
| Grades 4-6 | - | 22.87 | - | - | - | 22.87 |
| Grades 7-8 | - | 26.04 | - | - | - | 26.04 |
| Grades 9-12 | - | 64.69 | - | - | - | 64.69 |
| ADA Totals | - | 136.52 | - | - | - | 136.52 |
| Southern California | | | | | | |
| Grades TK/K-3 | - | 949.74 | - | - | - | 949.74 |
| Grades 4-6 | - | 757.01 | - | - | - | 757.01 |
| Grades 7-8 | - | 860.68 | - | - | - | 860.68 |
| Grades 9-12 | - | 2,149.45 | - | - | - | 2,149.45 |
| ADA Totals | - | 4,716.88 | - | - | - | 4,716.88 |
| Northern California | | | | | | |
| Grades TK/K-3 | - | 307.28 | - | - | - | 307.28 |
| Grades 4-6 | - | 273.88 | - | - | - | 273.88 |
| Grades 7-8 | - | 315.45 | - | - | - | 315.45 |
| Grades 9-12 | - | 727.83 | - | (0.73) | - | 727.10 |
| ADA Totals | - | 1,624.44 | - | (0.73) | - | 1,623.71 |
| Central Coast | | | | | | |
| Grades TK/K-3 | - | 26.53 | - | - | - | 26.53 |
| Grades 4-6 | - | 16.01 | - | - | - | 16.01 |
| Grades 7-8 | - | 16.71 | - | - | - | 16.71 |
| Grades 9-12 | - | 47.53 | - | - | - | 47.53 |
| ADA Totals | - | 106.78 | - | - | - | 106.78 |
| Monterey Bay | | | | | | |
| Grades TK/K-3 | - | 83.08 | - | - | - | 83.08 |
| Grades 4-6 | - | 71.29 | - | - | - | 71.29 |
| Grades 7-8 | - | 82.02 | - | - | - | 82.02 |
| Grades 9-12 | - | 213.27 | - | - | - | 213.27 |
| ADA Totals | - | 449.66 | - | - | - | 449.66 |

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

CALIFORNIA ONLINE PUBLIC SCHOOLS
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

| | <u>Central Valley</u> | <u>North Bay</u> | <u>Southern California</u> | <u>Northern California</u> | <u>Central Coast</u> | <u>Monterey Bay</u> | <u>Total</u> |
|---|-----------------------|-------------------|----------------------------|----------------------------|----------------------|---------------------|----------------------|
| June 30, 2023 Annual Financial Report Fund Balances (Net Assets) | \$ 3,321,761 | \$ 805,786 | \$ 16,615,786 | \$ 6,133,238 | \$ 184,403 | \$ 357,789 | \$ 27,418,763 |
| Adjustments and Reclassifications: | | | | | | | |
| Increase (Decrease) of Fund Balance (Net Assets): | | | | | | | |
| Accounts Receivable - Federal and State | 485,251 | (319,398) | 823,764 | 336,794 | 38,985 | 48,747 | 1,414,143 |
| Accounts Receivable - Other | - | 27,232 | 8,405,160 | - | - | - | 8,432,392 |
| Prepaid Expenses and Other Assets | (2,300) | (596) | (17,189) | (150,884) | (355) | (1,870) | (173,194) |
| Operating Right-of-Use Assets, Net | 34,236 | 8,559 | 265,335 | 89,870 | 4,279 | 25,677 | 427,956 |
| Property, Plant, and Equipment, Net | - | - | - | 144,783 | - | - | 144,783 |
| Accounts Payable and Accrued Liabilities | (11,992) | 251,557 | (10,280,642) | 1,815,522 | 719,035 | 823,396 | (6,683,124) |
| Intercompany Payables | (1,339,554) | - | - | (5,359,596) | (756,719) | (976,523) | (8,432,392) |
| Deferred Revenue | 134,813 | 28,423 | 761,045 | 243,684 | 13,154 | 48,825 | 1,229,944 |
| Operating Lease Liabilities | (36,604) | (9,151) | (283,684) | (96,086) | (4,576) | (27,453) | (457,554) |
| Net Adjustments and Reclassifications | <u>(736,150)</u> | <u>(13,374)</u> | <u>(326,211)</u> | <u>(2,975,913)</u> | <u>13,803</u> | <u>(59,201)</u> | <u>(4,097,046)</u> |
| June 30, 2023 Audited Financial Statement Fund Balances (Net Assets) | <u>\$ 2,585,611</u> | <u>\$ 792,412</u> | <u>\$ 16,289,575</u> | <u>\$ 3,157,325</u> | <u>\$ 198,206</u> | <u>\$ 298,588</u> | <u>\$ 23,321,717</u> |

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Additional Award Identification | Central Valley | North Bay | Southern California | Northern California | Central Coast | Monterey Bay | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------|------------|------------------------|------------------------|---------------|--------------|----------------------------------|
| U.S. Department of Education | | | | | | | | | | |
| Pass-Through Program From California Department of Education: Every Child Succeeds Act: | | | | | | | | | | |
| Title I, Part A, Basic Grants: | | | | | | | | | | |
| Low-Income and Neglected | 84.010 | 14329 | | \$ 135,602 | \$ 34,991 | \$ 800,470 | \$ 245,391 | \$ - | \$ - | \$ 1,216,454 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | | 22,598 | 4,929 | 133,058 | 41,604 | - | - | 202,189 |
| Title IV, Part A, Student Support & Academic Enrichment | 84.424 | 15396 | | 10,964 | 10,000 | 56,105 | 16,635 | - | - | 93,704 |
| Special Education Cluster: IDEA Basic Local Assistance Entitlement, Part B, Section 611 | 84.027 | 13379 | | 88,523 | 22,452 | 714,656 | 217,943 | 12,307 | 64,358 | 1,120,239 |
| Total Special Education Cluster | | | | 88,523 | 22,452 | 714,656 | 217,943 | 12,307 | 64,358 | 1,120,239 |
| Coronavirus Aid, Relief, and Economic Security Act (CARES Act): | | | | | | | | | | |
| Elementary and Secondary School Emergency Relief (ESSER II) Fund | | | | | | | | | | |
| Total Coronavirus Aid, Relief, and Security Act (CARES Act) | 84.425D | 15536 | COVID-19 | 351,140 | 80,670 | 1,006,373 | 919,634 | - | - | 2,357,817 |
| | | | | 351,140 | 80,670 | 1,006,373 | 919,634 | - | - | 2,357,817 |
| <i>Total U.S. Department of Education</i> | | | | | | | | | | |
| | | | | 608,827 | 153,042 | 2,710,662 | 1,441,207 | 12,307 | 64,358 | 4,990,403 |
| Total Federal Expenditures | | | | | | | | | | |
| | | | | \$ 608,827 | \$ 153,042 | \$ 2,710,662 | \$ 1,441,207 | \$ 12,307 | \$ 64,358 | \$ 4,990,403 |

See accompanying Independent Auditors' Report and the Notes to Supplementary Information.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED 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 Organization and whether the Organization 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 Organization 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 Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 5 INDIRECT COST RATE

The Organization has elected not to use the 10 percent 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
California Online Public Schools
San Juan Capistrano, 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 California Online Public Schools (the Organization), a nonprofit California 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, the related notes to the financial statements, and have issued our report thereon dated March 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of The Organization'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 Organization's consolidated 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 identify a deficiency in internal control that we consider to be material weaknesses and is documented in the Schedule of Findings and Questioned Costs as 2023-001. Other 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 Organization’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 Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
March 5, 2024

Tentative - For Discussion Purposes Only; Subject to Review

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

Board of Directors
California Online Public Schools
San Juan Capistrano, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited California Online Public Schools (the Organization) 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 the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 the Organization 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 the Organization'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 Organization's 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 the Organization'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 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 the Organization's 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 the Organization'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 Organization'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 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
March 5, 2024

Tentative - For Discussion Purposes Only; Subject to Revision

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

Board of Directors
California Online Public Schools
San Juan Capistrano, California

Report on Compliance

Opinion on State Compliance

We have audited California Online Public Schools's (the Organization) compliance with the types of compliance requirements applicable to the Organization 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 Organization's applicable State compliance requirements are identified in the table below.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that are applicable to the Organization 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 Organization 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 Organization'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 Organization'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 Organization'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 Organization'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* 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 Organization'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 Organization'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* but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization’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 | Yes |
| After/Before School Education and Safety Program | Not Applicable ¹ |
| 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 ² |
| Immunizations | Not Applicable ³ |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Not Applicable ⁴ |
| 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 Organization did not operate an after or before school program component of this grant.

Not Applicable²: The Organization did not report ADA pursuant to Education Code section 51749.5.

Not Applicable³: The Organization 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 Applicable⁴: The Organization received funding for the Expanded Learning Opportunity Grant (ELO-G); however, did not expend any funds and is returning the full amount.

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

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

Not Applicable⁷: The Organization did not report ADA to the CDE as generated through classroom-based instruction.

Not Applicable⁸: The Organization did not report any ADA as generated through classroom-based instruction.

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

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each state program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002, to be a significant deficiency.

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.

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

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
March 5, 2024

Tentative - For Discussion Purposes Only; Subject to Revision

**CALIFORNIA ONLINE PUBLIC 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? x yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 that are not considered to be material weakness(es)? 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)

84.027

84.425D

Name of Federal Program or Cluster

Special Education Cluster: IDEA Basic Local Assistance Entitlement

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

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

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**CALIFORNIA ONLINE PUBLIC 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

2023-001 Internal Controls Relating to Financial Close and Reporting Process 30000

Type of finding: Material weakness in internal controls over financial close and reporting process, related to adjustments made for revenue, accounts receivables, and accounts payable.

Condition: During the course of our audit, we experienced significant delays in completing and issuing the audit report due to the financial close and reporting process. A total of 5 adjustments were posted after the trial balance was received which were audit adjustments. The client also provided closing entries.

Criteria of specific requirement: The financial close and reporting process should include review of financial information by resource codes and supporting schedules to ensure proper recording of all transactions in accordance with GAAP.

Context: The Organization did not record revenue, accounts receivables, and accounts payable consistently with GAAP.

Effect: Significant delays in completing and issuing the audit report by the state deadline.

Cause: Transition in accounting back-office service providers and improper recording of all transactions in accordance with GAAP.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Consolidated Financial Statement Findings (Continued)

2023-001 Internal Controls Relating to Financial Close and Reporting Process (Continued) 30000

Repeat finding: Not a repeat finding.

Recommendation: We recommend that the Organization update its year-end closing procedures to include additional review to ensure all transactions are accounted in accordance with GAAP.

Management Corrective Action Plan (Unaudited): For the 2023-24 fiscal year, the Organization has contracted with an experienced back-office services provider, which will: 1) provide training to staff involved with initial coding of revenue and expenditures to ensure that transactions are properly captured, 2) update the chart account structure to promote alignment with standardized account code structure (SACS), 3) offer multiple layers of review to ensure that activity is captured in accordance with GAAP and other applicable funding regulations.

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).

Section IV – Findings and Questioned Costs – State Compliance

2023-002 Nonclassroom-Based Instruction / Independent Study **40000**

California Connections Academy Northern California – Charter Number: 1398

Criteria: Per California Education Code section 51747(f), a requirement that a current written agreement for each independent study pupil shall be maintained on file.

Condition: During independent study testing we noted one pupil from California Connections Academy Northern California, out of a sampled population of 25 pupils, did not meet the requirement that a written agreement existed or was maintained on file.

Effect: The Organization is not in compliance with Education code section 51747(f) for the pupil sampled and over-reported ADA by 0.62 in its P-2 and .73 on its P-Annual. The over-reported P-2 ADA resulted in a known calculation for the decreased apportionment of \$6,493.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section IV – Findings and Questioned Costs – State Compliance (Continued)

2023-002 Nonclassroom-Based Instruction / Independent Study (Continued) 40000

Cause: Oversight error for verifying written agreements are obtained due to staffing turnover.

Questioned Costs: The error identified in the condition had a known error calculation for the decreased apportionment of \$6,493.

Repeat Finding: This is not a repeat finding.

Management Corrective Action Plan (Unaudited): For the 2023-2024 school year, the Organization will take two primary actions to ensure errors of this nature are found and corrected.

Firstly, the Organization’s internal Enrollment and Attendance teams will conduct an audit of all Master Agreements for currently enrolled students to ensure these Master Agreements are valid for the 2023-2024 school year and have compliant dates and signatures. In prior years, this audit has occurred cooperatively between the Pearson Virtual Schools (PVS) and the Organization’s teams. The Organization’s internal Attendance and Enrollment teams will complete this audit independently this year. At the time of the writing of this corrective action, this audit has already begun and is scheduled to be completed by the beginning of calendar year 2024.

Secondly, for all newly enrolled students, the Organization’s Enrollment team will put in place protocols to double check the work of PVS and check for Master Agreement Compliance upon enrollment. As a final safeguard, the Attendance team will continue established protocols of auditing Master Agreement compliance for newly enrolled students within the first month of enrollment.

For the 2024-2025 school year and beyond:

Enrollment of the 2024-2025 school year opens on February 1, 2024. From this date forward all enrollment tasks for the 2024-2025 school year and beyond will be exclusively handled by the Organization’s Enrollment team. We have contracted with School Pathways as the Organization’s Student Information System for the 2024-2025 school year and beyond. All application and enrollment tasks will be handled through this system. School Pathways is a system that is designed for nonclassroom-based schools. The signing, verifying, and approving of the Master Agreements is integrated into this system. The Master Agreement will be signed by all required parties prior to enrollment when families are in the “pre-enrollment” stage. Prior to enrollment, a member of the Organization will audit all required documents, including the Master Agreement. A team member of the Organization will also be responsible for finalizing the enrollment of a student and moving them from the “pre-enrollment” phase to the enrolled phase.

Following enrollment, similar to current procedures, the attendance/compliance team will audit all Master Agreements and enrollment documents by no later than the first quarter of the school year and continue to audit newly enrolled students on a monthly basis thereafter.

**CALIFORNIA ONLINE PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR YEAR 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.

Tentative - For Discussion Purposes Only; Subject to Revision