



ELEVATE
SCHOOL

ELEVATE SCHOOL

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

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

Elevate Elementary (Charter No. 1633)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Elevate School
San Diego, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Elevate School (the "Organization") which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elevate School 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

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

- Exercise professional judgement 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 Elevate 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elevate 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 financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **November XX, 2022** on our consideration of Elevate 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 Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elevate School’s internal control over financial reporting and compliance.

San Diego, California
November XX, 2022

**ELEVATE SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,122,023
Accounts receivable	731,220
Prepaid expenses	114,628
Total current assets	<u>2,967,871</u>
Noncurrent assets	
Deposits	32,000
Capital assets, net	98,965
Total noncurrent assets	<u>130,965</u>
Total Assets	<u>\$ 3,098,836</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 161,175
Compensated absences	39,020
Deferred rent	32,539
Deferred revenue	285,615
Total liabilities	<u>518,349</u>
Net assets	
Without donor restrictions	<u>2,580,487</u>
Total net assets	<u>2,580,487</u>
Total Liabilities and Net Assets	<u>\$ 3,098,836</u>

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

**ELEVATE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

SUPPORT AND REVENUES

Federal and state support and revenues	
Local control funding formula, state aid	\$ 859,426
Federal revenues	934,496
Other state revenues	927,753
Total federal and state support and revenues	<u>2,721,675</u>
Local support and revenues	
Payments in lieu of property taxes	2,903,401
Investment income (loss), net	(37,655)
Other local revenues	120,478
Total local support and revenues	<u>2,986,224</u>
Total Support and Revenues	<u>5,707,899</u>

EXPENSES

Program services	4,648,966
Supporting services	
Management and general	895,103
Fundraising	29,112
Total Expenses	<u>5,573,181</u>

CHANGE IN NET ASSETS 134,718

Net Assets - Beginning 2,445,769

Net Assets - Ending \$ 2,580,487

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

**ELEVATE SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 2,268,347	\$ -	\$ -	\$ 2,268,347
Non-certificated salaries	298,944	376,212	-	675,156
Pension plan contributions	581,865	-	-	581,865
Payroll taxes	98,563	33,418	-	131,981
Other employee benefits	274,390	40,210	-	314,600
Total personnel expenses	3,522,109	449,840	-	3,971,949
Non-personnel expenses				
Books and supplies	386,822	23,915	-	410,737
Insurance	-	62,647	-	62,647
Facilities	406,800	59,612	-	466,412
Professional services	193,758	278,938	29,112	501,808
Depreciation	26,643	1,720	-	28,363
Fees to authorizing agency	60,872	-	-	60,872
Other operating expenses	51,962	18,431	-	70,393
Total non-personnel expenses	1,126,857	445,263	29,112	1,601,232
Total Expenses	\$ 4,648,966	\$ 895,103	\$ 29,112	\$ 5,573,181

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

**ELEVATE SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 134,718
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	28,363
(Increase) decrease in operating assets	
Accounts receivable	(42,218)
Prepaid expenses	22,655
Increase (decrease) in operating liabilities	
Accounts payable	(90,389)
Compensated absences	15,017
Deferred rent	424
Deferred revenue	165,808
Net cash provided by (used in) operating activities	<u>234,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(35,752)</u>
Net cash provided by (used in) investing activities	<u>(35,752)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	198,626
Cash and cash equivalents - Beginning	<u>1,923,397</u>
Cash and cash equivalents - Ending	<u>\$ 2,122,023</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

**ELEVATE SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Elevate School (the “Organization”) was formed as a nonprofit public benefit corporation on April 8, 2013 for the purpose of operating as a California public school located in San Diego County. The Organization’s school, Elevate Elementary (the “Charter”), was numbered by the State Board of Education in March 2014 as California Charter No. 1633. The mission of Elevate Elementary is to equip tomorrow’s global innovators by inspiring students to be excellent in academics, exceptional in leadership, and extraordinary in creativity. During the year ended June 30, 2022, Elevate Elementary served grades K to 7.

Elevate Elementary is authorized to operate as a charter school through San Diego Unified School District (the “authorizing agency”). The current charter petition held between the Charter and the authorizing agency has a term ending on June 30, 2026. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

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

C. Financial Statement Presentation

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

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

E. Functional Expenses

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

F. Contributions

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

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

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

G. In Lieu of Property Taxes Revenue

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

H. Cash and Cash Equivalents

Elevate School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

I. Investments

The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Organization establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2022, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Elevate School has adopted a policy to capitalize asset purchases over \$1,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

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

M. Income Taxes

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

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

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below:

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

**ELEVATE SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. New Accounting Pronouncement

Leases

In February 2016, FASB issued ASU No.2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Organization will determine the impact on the financial statements once required to implement in the 2022-23 fiscal year.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2022, consists of the following:

Cash in county treasury	\$ 1,975,059
County treasury fair value adjustment	(48,800)
Cash in banks, non-interest bearing	195,764
Total Cash and Cash Equivalents	\$ 2,122,023

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Elevate School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2022, \$27,683 of Elevate School's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks.

Cash in County Treasury

Policies and Practices

Elevate School is a voluntary participant in an external investment pool. The fair value of the Charter's investment in the pool is reported in the financial statements at amounts based upon the Charter's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Organization has managed its exposure to interest rate risk by investing in the county treasury. The Charter's investments in the San Diego County Treasury Investment Pool, which combines the Charter's share of the portfolio, has a combined fair value of \$1,926,259 which is equal to the adjusted book valued as of June 30, 2022. The average weighted maturity for this pool is 551 days.

**ELEVATE SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

Fair Value Measurement

Cash in county treasury is measured at Level 1 using the fair value input levels noted in Note 1N. The funds were not previously measured. The Charter has reclassified these funds as Level 1 because the amounts invested in the county treasury pooled investment fund primarily consist of investments types having observable inputs that reflect quoted prices. The investment types include those noted under the general authorizations section. As such, the carrying value consists of the amortized book value presented as “cash in county treasury” offset by the “county treasury fair value adjustment” to arrive at the combined fair value amount noted under the interest rate risk section.

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Charter funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, as of June 30, 2022, consists of the following:

Local control funding sources, state aid	\$ 106,375
Federal sources	281,653
Other state sources	98,564
In lieu property tax payments	242,326
Other local sources	2,302
Total Accounts Receivable	\$ 731,220

ELEVATE SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets, during the year ended June 30, 2022, consists of the following:

	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Property and equipment				
Buildings	\$ -	\$ 21,092	\$ -	\$ 21,092
Site and leasehold improvements	67,672	-	-	67,672
Furniture and equipment	134,896	22,860	-	157,756
Construction in progress	8,200	-	8,200	-
Total property and equipment	<u>210,768</u>	<u>43,952</u>	<u>8,200</u>	<u>246,520</u>
Less accumulated depreciation	(119,192)	(28,363)	-	(147,555)
Capital Assets, net	<u>\$ 91,576</u>	<u>\$ 15,589</u>	<u>\$ 8,200</u>	<u>\$ 98,965</u>

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable, as of June 30, 2022, consists of the following:

Salaries and benefits	\$ 64,226
Credit card liability	36,930
Other vendor payables	34,776
Due to authorizing agency	25,243
Total Accounts Payable	<u>\$ 161,175</u>

NOTE 6 – DEFERRED RENT

Elevate School held a deferred rent liability of \$32,539 as of June 30, 2022. The deferred rent liability is associated with the lease agreement disclosed in Note 11. In accordance with generally accepted accounting principles, multi-year lease agreements with varying lease payments should be expensed using a straight-line basis over the life of the lease. Consequently, lease expense attributed to the lease agreement was \$274,987, which differs from actual lease payments made of \$274,563 for the year ended June 30, 2022. Future minimum lease payments, lease expense, and the difference between these amounts are as follows:

Fiscal Year Ending June 30,	Lease Payments	Lease Expense	Prepaid/ (Deferred)
2023	\$ 285,576	\$ 274,987	\$ (10,589)
2024	296,937	274,987	(21,950)
Total	<u>\$ 582,513</u>	<u>\$ 549,974</u>	<u>\$ (32,539)</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue, as of June 30, 2022, consists of the following:

Federal sources	\$ 27,841
State sources	257,774
Total Deferred Revenue	<u>\$ 285,615</u>

**ELEVATE SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 8 – NET ASSETS

The Organization did not hold any net assets with donor restrictions at June 30, 2021. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2022, the Organization’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$ 98,965
Undesignated	<u>2,481,522</u>
Total Net Assets without Donor Restrictions	<u>\$ 2,580,487</u>

As agreed upon within a memorandum of understanding with the authorizing agency, the Charter agrees to establish and maintain a reserve for economic uncertainty equal to the greater of three percent of total expenditures or \$50,000. As noted above, the Charter has met this reserve limit.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter’s financial assets as of June 30, 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	\$ 2,122,023
Accounts receivable	731,220
Prepaid expenses	<u>114,628</u>
Total Financial Assets, excluding noncurrent	<u>\$ 2,967,871</u>
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	<u>(285,615)</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 2,682,256</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

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

Plan Description

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

**ELEVATE SCHOOL
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS)

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2021-22 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2021-22 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2021-22	\$ 385,395	100%
2020-21	\$ 274,598	100%
2019-20	\$ 217,420	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Elevate Elementary is estimated at \$196,470. The on-behalf payment amount is computed as the proportionate share of total 2021-22 State on-behalf contributions.

Alternative Plan

As established by federal law, all public sector employees who are not members of their employer’s existing retirement plan (CalSTRS) must be covered by social security or an alternative plan. The Organization offers both social security and a 403(b) plan. All employees are eligible to participate in the plans. A participant of the 403(b) plan may make an election to defer compensation and have it contributed to this plan.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Elevate Elementary is approved to operate as a public charter school through authorization by the San Diego Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met. In January 2019, the Board of Directors of San Diego Unified School District approved a charter renewal for Elevate Elementary for a five-year term beginning July 1, 2019 and ending June 30, 2024.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. Although no action is required by the charter schools or charter authorizers for this extension, AB 130 does not preclude charter authorizers from invoking revocation procedures. As a result, the end date for the current charter petition is extended to June 30, 2026.

Governmental Funds

Elevate 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 expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

**ELEVATE SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

Multiemployer Defined Benefit Plan Participation

Under current law on multi-employer defined benefit plans, the Organization's voluntary withdrawal from any underfunded multi-employer defined benefit plan would require the Organization to make payments to the plan, which would approximate the Charter's proportionate share of the multi-employer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$1,390,234 as of June 30, 2022. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 10 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Organization is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Organization as of June 30, 2022.

Operating Leases

On June 25, 2019, Elevate School entered into an amended facility lease agreement to occupy space located at 2285 Murray Ridge Road in San Diego, California. The facility is utilized by the Charter for instructional services in order to meet the educational goals established by the Charter. The term covered by the amended lease commenced on July 1, 2019 and terminates June 30, 2024. The agreement calls for a security deposit of \$22,000, which is recorded as a noncurrent asset on the statement of financial position. Monthly lease payments fluctuate throughout the life of the lease. Lease payments and the recognized lease expense are disclosed in Note 6.

In August 2017, the Organization entered into an office equipment lease agreement for the use of copier machines through June 2022. Total payments on equipment leases amounted to \$24,980 during the fiscal year ended June 30, 2022.

NOTE 12 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Elevate School in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Charter makes payments to the authorizing agency, San Diego Unified School District, to provide purchased services in addition to fees for oversight. In accordance with California Education Code Section 47613(b), the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities; San Diego Unified School District provides such facilities. The Charter holds a shared facility use agreement with San Diego Unified School District to occupy space on the Vista Grande Elementary School site in the Tierrasanta area of San Diego. This space is utilized as the campus for grades 4-5. Total fees for oversight, purchased services, and facility use amounted to \$60,872 for the fiscal year ending June 30, 2022.

ELEVATE SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 14 – SUBSEQUENT EVENTS

Elevate School has evaluated subsequent events for the period from June 30, 2022 through **November XX, 2022**, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**ELEVATE SCHOOL
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022**

Elevate Elementary (the "Charter") located in San Diego, California was numbered by the State Board of Education in March 2014 as Charter No. 1633. The Charter is operated by Elevate School, a nonprofit public benefit corporation, formed on April 8, 2013. The Charter is authorized to operate as a charter school through San Diego Unified School District. Classes began in September 2014. During 2021-22, the Charter served approximately 415 students in grades K to 7.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Carol Leighty, Ed.D.	Chair	June 30, 2022
Freda Callahan, Ed.D.	Vice Chair	June 30, 2022
Jill Soulé	Secretary & Parent	June 30, 2022
Adam McWethy	Treasurer	June 30, 2022
Kirsten Grimm	Director	June 30, 2022
Cheryl Gorman	Director	June 30, 2023
Jo Luehmann	Director	June 30, 2023

ADMINISTRATION

Ryan Elliott, M.Ed.
Principal & Executive Officer

See accompanying notes to supplementary information.

**ELEVATE SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 43,713
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	8,988
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	10,000
Title IV, Part B, 21st Century Community Learning Centers Program [1]	84.282	14349	240,000
Title IV, Public Charter Schools Grant Program (PCSGP)	84.282	15387	37,355
Title VIII, Impact Aid [1]	84.041	10015	249,867
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	94,239
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	1,200
American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program	84.425	15564	14,522
Subtotal Education Stabilization Fund Discretionary Grants			109,961
<i>Passed through El Dorado SELPA:</i>			
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	51,098
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	117
Subtotal Special Education Cluster			51,215
Total U. S. Department of Education			751,099
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
Meal Supplements in National School Lunch Program	10.555	13755	11,204
Pandemic EBT Local Administrative Grant	10.649	15644	614
Summer Food Service Program for Children	10.559	13004	171,579
Subtotal Child Nutrition Cluster			183,397
Total U. S. Department of Agriculture			183,397
Total Federal Expenditures			\$ 934,496

[1] - Major Program

See accompanying notes to supplementary information.

**ELEVATE SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Second Period Report</u>	<u>Annual Report</u>
	<u>Classroom-Based</u>	
Grade Span		
Kindergarten through third	186.89	186.80
Fourth through sixth	162.17	161.86
Seventh	41.35	41.03
Total Average Daily Attendance - Classroom-Based	<u>390.41</u>	<u>389.69</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Kindergarten through third	1.05	0.89
Fourth through sixth	0.67	0.56
Seventh	0.29	0.21
Total Average Daily Attendance - Nonclassroom-Based	<u>2.01</u>	<u>1.66</u>

See accompanying notes to supplementary information.

**ELEVATE SCHOOL
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2022**

<u>Grade Span</u>	<u>Minutes Requirement</u>	<u>2021-22 Instructional Minutes</u>	<u>2021-22 Number of Days</u>	<u>Status</u>
Kindergarten	36,000	55,895	178	Complied
Grades 1 through 3	50,400	55,635	178	Complied
Grades 4 through 5	54,000	55,400	178	Complied
Grades 6 through 7	54,000	59,501	178	Complied

See accompanying notes to supplementary information.

**ELEVATE SCHOOL
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2022**

June 30, 2022, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 2,522,911</u>
Adjustments:	
Increase (decrease) in total net assets:	
Record fair value adjustment	(48,800)
Record LCFF accrual	<u>106,376</u>
Net adjustments	<u>57,576</u>
June 30, 2022, net assets per audited financial statements	<u>\$ 2,580,487</u>

See accompanying notes to supplementary information.

**ELEVATE SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

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

B. Schedule of Expenditures of Federal Awards

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

C. Schedule of Average Daily Attendance

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

D. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Elevate School and whether the Charter complied with the provisions of *Education Code Section* 46200 through 46208.

E. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

To the Board of Directors of
Elevate School
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Elevate School (the "Organization") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated **November XX, 2022**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

San Diego, California

November XX, 2022

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

Independent Auditors' Report

To the Board of Directors of
Elevate School
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Elevate School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elevate School's major federal programs for the year ended June 30, 2022. Elevate School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Elevate School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Elevate 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Elevate School's compliance with the requirements of each major federal program as a whole.

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

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

San Diego, California

November XX, 2022

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

To the Board of Directors of
Elevate School
San Diego, California

Report on State Compliance

Opinion on State Compliance

We have audited Elevate School's compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Elevate School's state programs for the fiscal year ended June 30, 2022, as identified below. Reference to Elevate School within this letter is inclusive of Elevate Elementary (Charter No. 1633).

In our opinion, Elevate School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Elevate School and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Elevate 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 internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Elevate School's state programs.

Auditor’s Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Elevate 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 generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Elevate School's compliance with the requirements of the applicable state programs as a whole.

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

- Exercise professional judgement 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 Elevate School's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Elevate 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 the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Elevate School's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Elevate School’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Not applicable
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

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

Report on Internal Control Over Compliance

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

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

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

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

San Diego, California
November XX, 2022

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**ELEVATE SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282D	Title IV, Part C, Charter Schools Facility Grant Program
84.041	Title VII, Impact Aid

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

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**ELEVATE SCHOOL
SUMMARY OF AUDITORS' RESULTS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

All audit year findings, if any, are assigned an appropriate finding code as follows:

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
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

**ELEVATE SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings related to the financial statements during the year ended June 30, 2022.

**ELEVATE SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to federal awards during the year ended June 30, 2022.

**ELEVATE SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no audit findings and questioned costs related to state awards during the year ended June 30, 2022.

**ELEVATE SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

This schedule presents the status of actions taken by the Organization on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2021.