



AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

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

Samueli Academy (Charter No. 1419)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Samueli Academy
Santa Ana, California

Report on the Financial Statements**Opinion**

We have audited the accompanying financial statements of Samueli Academy which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Samueli Academy 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 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 Samueli Academy 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 1Q to the financial statements, in 2022-23 Samueli Academy adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect 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; 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 Samueli Academy'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.

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 Samueli Academy'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 Samueli Academy'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.

Report on Summarized Comparative Information

The financial statements of Samueli Academy for the 2021-22 fiscal year were audited by other auditors whose report, dated October 27, 2022, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it was been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2023, on our consideration of Samueli Academy'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 Samueli Academy'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 Samueli Academy's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
September 30, 2023

SAMUELI ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,830,445	\$ 4,718,877
Contributions receivable, net	935,159	357,854
Receivables	788,773	1,006,553
Prepaid expenses	328,162	126,704
Total current assets	<u>8,882,539</u>	<u>6,209,988</u>
Noncurrent assets		
Restricted investments	99,045	99,045
Contributions receivable, net, less current portion	28,694	1,445
Investment in LLC	784,000	-
Right-of-use (ROU) asset	8,922,017	
Property and equipment, net	1,359,521	1,506,372
Total noncurrent assets	<u>11,193,277</u>	<u>1,606,862</u>
Total Assets	<u>\$ 20,075,816</u>	<u>\$ 7,816,850</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 747,814	\$ 662,318
Operating lease liability, current portion	919,538	
Deferred revenue	2,525,396	970,083
Intercompany payable	205,708	309,422
Total current liabilities	<u>4,398,456</u>	<u>1,941,823</u>
Noncurrent liabilities		
Operating lease liability, less current portion	8,164,014	
Total liabilities	<u>12,562,470</u>	<u>1,941,823</u>
NET ASSETS		
Without donor restrictions	7,513,346	5,875,027
Total net assets	<u>7,513,346</u>	<u>5,875,027</u>
Total Liabilities and Net Assets	<u>\$ 20,075,816</u>	<u>\$ 7,816,850</u>

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

SAMUELI ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
	Without Donor Restrictions	Total
SUPPORT AND REVENUES		
Local control funding formula	\$ 9,966,010	\$ 8,400,117
Federal revenues	1,294,924	1,141,216
Other state revenues	2,854,698	2,688,512
Contributions	908,841	713,390
Special events, net of direct expenses	554,460	258,010
In-kind contributions	59,207	86,819
Investment income, net	96,962	7,188
Other income	122,864	72,147
Total local support and revenues	<u>1,742,334</u>	<u>1,137,554</u>
Total Support and Revenues	<u>15,857,966</u>	<u>13,367,399</u>
EXPENSES		
Program services	12,833,251	11,339,959
Management and general	1,055,668	722,969
Fundraising	330,728	248,947
Total Expenses	<u>14,219,647</u>	<u>12,311,875</u>
CHANGE IN NET ASSETS	1,638,319	1,055,524
Net Assets - Beginning	<u>5,875,027</u>	<u>4,819,503</u>
Net Assets - Ending	<u>\$ 7,513,346</u>	<u>\$ 5,875,027</u>

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

SAMUELI ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
EXPENSES					
Salaries and benefits	\$ 7,705,329	\$ 934,855	\$ 260,855	\$ 8,901,039	\$ 8,027,595
Program operating costs	1,244,292	-	-	1,244,292	904,150
Scholarships	19,000	-	-	19,000	13,000
Consulting services	141,255	32,000	46,142	219,397	279,224
Accounting and audit fees	-	40,600	-	40,600	12,851
Marketing and public relations	7,545	-	1,244	8,789	34,568
Office expenses	119,693	42,481	19,369	181,543	47,846
Telephone	35,543	-	555	36,098	38,525
Office equipment lease	28,357	-	-	28,357	42,387
Technology	299,853	-	-	299,853	374,436
Donated goods and services	59,207	-	-	59,207	86,819
Facilities	2,443,393	-	-	2,443,393	1,845,377
Property taxes	35,818	-	-	35,818	34,105
Travel and mileage	136,725	-	35	136,760	105,071
Conferences and training	67,380	-	678	68,058	37,729
Depreciation and amortization	376,178	-	-	376,178	321,965
Insurance	101,307	-	-	101,307	85,349
Other operating expenses	12,376	5,732	1,850	19,958	20,878
Total Expenses - 2023	\$ 12,833,251	\$ 1,055,668	\$ 330,728	\$ 14,219,647	
Total Expenses - 2022	\$ 11,339,959	\$ 722,969	\$ 248,947		\$ 12,311,875

SUPPLEMENTAL DISCLOSURE

	Program Services	Management and General	Fundraising
% of Total Expenses - 2023	90.25%	7.42%	2.33%
% of Total Expenses - 2022	92.11%	5.87%	2.02%

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

SAMUELI ACADEMY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,638,319	\$ 1,055,524
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization expense	376,178	321,965
Lease expense - portion related to amortization of ROU asset	161,535	
(Increase) decrease in operating assets		
Contributions receivable, net	(604,554)	(197,029)
Receivables	217,780	2,505,562
Prepaid expenses	(201,458)	(35,955)
Increase (decrease) in operating liabilities		
Accounts payable	85,496	146,634
Deferred revenue	1,555,313	447,738
Intercompany payable	(103,714)	286,980
Net cash provided by operating activities	<u>3,124,895</u>	<u>4,531,419</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in LLC	(784,000)	-
Purchase of property and equipment	(229,327)	(925,359)
Net cash (used in) investing activities	<u>(1,013,327)</u>	<u>(925,359)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,111,568	3,606,060
Cash and cash equivalents - Beginning	<u>4,718,877</u>	<u>1,112,817</u>
Cash and cash equivalents - Ending	<u>\$ 6,830,445</u>	<u>\$ 4,718,877</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

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

**SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Samueli Academy (the “Academy”), formerly known as The Academy Charter School, is a non-profit public benefit corporation and was approved for a charter by the Orange County Department of Education on February 15, 2012, for a period of five years ending in June 2018. In May 2018, a five-year extension was granted to June 2023. Prior to this renewal, the Orange County Department of Education also approved adding 7th and 8th grade for a total of up to 800 students. As a result of AB 130 and SB 114, the charter petition end date is extended to June 30, 2026.

Charter school number authorized by the State: 1419

The Academy located at 1901-1919 North Fairview Street, Santa Ana, California, opened on August 29, 2013, and currently serves 800 students in grades seven through twelve. The mission of the Academy is to provide a transformational learning environment to community, underserved and foster teens that offers consistency, stability, support, and a community in which to belong, thrive, and grow into successful, independent adults.

B. Related Entities

Founding Organization and Limited Liability Companies

Orangewood Foundation (the “Foundation”) is a non-profit organization that was incorporated in the State of California on November 20, 1980, for the purpose of ending the cycle of child abuse by providing innovative programs. The Foundation is the founder and sole voting member of the Academy.

Orangewood Real Property LLC owns land and buildings leased to the Academy. Orangewood Residential LLC was established to provide onsite housing to foster students. There are currently 8 foster youth that reside on campus as part of this program.

Samueli Academy PPA, LLC is a joint venture between Samueli Academy and the Robert Istwan Trust. Additional information is presented in Note 11 of the financial statements.

Joint Powers Agency and Risk Management Pools

The Academy is associated with the El Dorado Special Education Local Plan Area, a Joint Powers Authority (JPA). The JPA does not meet the criteria for inclusion as a component unit of the Academy. Additional information is presented in Note 13 of the financial statements.

C. Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

D. Comparative Financial Statements

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the Unified States of America (GAAP). Accordingly, such information should be read in conjunction with the Academy’s audited financial statements for the year ending June 30, 2022.

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Academy reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

F. Cash and Cash Equivalents

The Academy considers all cash, including cash in County Investment Pool, and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

G. Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment return is presented net of any investment fees.

H. Receivables and Credit Policies

Receivables consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. No allowance for doubtful accounts has been established, as the Academy deems all amounts to be fully collectible. Substantially all outstanding receivables, excluding contributions receivable, as of June 30, 2023 and 2022 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

I. Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Academy has reported prepaid items either when purchased or during the benefiting period.

J. Property and Equipment

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property and Equipment (continued)

The Academy reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset.

K. Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Academy are derived principally from state and federal sources. The Academy receives state funding based on each of the enrolled students' average daily attendance (ADA) in its school. Amounts received are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Academy received cost-reimbursable grants with an advance payment of \$2,525,396 recognized in the statement of financial position as a deferred revenue.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Academy would otherwise purchase the services.

Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

L. Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

M. Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities such as management and general activities and fundraising and development activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

N. Income Taxes

Samueli Academy is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and qualifies for the charitable contribution deduction.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Income Taxes (continued)

The Academy is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Academy is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Academy is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Academy determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Academy has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Academy would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

O. 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 of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

P. Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies and foundations supportive of the Academy's mission. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Academy believes that the investment policies and guidelines are prudent for the long-term welfare of the Academy.

Q. Change in Accounting Principle – ASC 842 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. 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 principle requires companies to transition using a modified retrospective method, meaning that a cumulative-effect adjustment is made on the initial date of adoption for existing leases. There are two options for the initial date of application: effective method and comparative method.

Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

The Academy has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. The Academy has opted to use the effective method for transition where the new standard is applied as of the effective date and comparative periods are presented under legacy lease standard ASC 840. Refer to Note 8 for additional information regarding the operating lease.

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 6,830,445	\$ 4,718,877
Contributions receivable, current portion	935,159	357,854
Receivables, current portion	788,773	1,006,553
Prepaid expenses	328,162	126,704
Financial Assets available to meet cash needs for expenditures within one year	\$ 8,882,539	\$ 6,209,988

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Academy has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs. Level 3 inputs are unobservable inputs related to the asset. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to an entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investments are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values. Certain certificates of deposit are considered invested and traded in the financial markets. Those certificates of deposit, fixed income securities and other securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis, as identified in the following table, at June 30, 2023:

	Fair Value Classification		
	Level 1	Level 2	Level 3
Asset backed securities	\$ 99,045	\$ -	\$ -
Solar power purchase agreement	-	784,000	-
Total Investments	\$ 99,045	\$ 784,000	\$ -

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Noncurrent contributions receivable (those expected to be collected over more than the next twelve months) have been discounted using the Academy's borrowing rate in effect at the time of the pledge. As of June 30, 2023, the discount rate in effect was 6.69%.

Fiscal Year Ending June 30,	
2024	\$ 935,159
2025	30,000
Subtotal	<u>965,159</u>
Less discount	<u>(1,306)</u>
Total Contributions Receivable	\$ 963,853

NOTE 5 – RECEIVABLES

Receivables consisted of the following:

	2023	2022
Local control funding sources	\$ 116,330	\$ 147,001
Federal sources	364,710	460,067
State sources	258,491	334,088
Lottery	49,242	65,397
Total Receivables	\$ 788,773	\$ 1,006,553

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of activity related to property and equipment during the year ended June 30, 2023 consisted of the following:

	July 1, 2022	Additions	Disposals	June 30, 2023
Property and equipment				
Furniture, fixtures, and equipment	\$ 2,384,491	\$ 224,277	\$ 210,160	\$ 2,398,608
Building improvements	269,302	5,050	-	274,352
Vehicles	62,747	-	-	62,747
Total property and equipment	<u>2,716,540</u>	<u>229,327</u>	<u>210,160</u>	<u>2,735,707</u>
Less accumulated depreciation	<u>(1,210,168)</u>	<u>(376,178)</u>	<u>(210,160)</u>	<u>(1,376,186)</u>
Property and Equipment, net	\$ 1,506,372	\$ (146,851)	\$ -	\$ 1,359,521

During the year ended June 30, 2023, depreciation expense was \$376,178.

NOTE 7 – ACCOUNTS PAYABLE AND INTERCOMPANY PAYABLE

Accounts payable and intercompany payable consisted of the following:

	2023	2022
Payroll and benefits	\$ 191,075	\$ 189,460
Vendor payables	556,739	472,858
Due to Orangewood Foundation	205,708	309,422
Total	\$ 953,522	\$ 971,740

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – OPERATING LEASE

In June 2022, the Academy entered into an amended lease agreement with Orangewood Real Property LLC for use of space located at 1901 and 1919 North Fairview Street in Santa Ana, California. The facility is utilized for instructional services in order to meet the goals established by the charter school. The lease agreement covers a term beginning July 1, 2022 through June 30, 2030 with annual rent increases of three percent (3%). During the fiscal year ended June 30, 2023, the Academy paid \$1,448,208 in lease payments and recorded lease expense of \$1,609,743 under this operating lease. At June 30, 2023, the right-of-use asset was \$8,922,017 and the operating lease liability was \$9,083,552.

The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense over the straight-line basis reduced by the implied discount rate. The Academy has accounted for its lease agreements using an incremental borrowing rate of 6.697%. The associated asset and liability are amortized over the straight-line basis over the term of the lease as follows:

Fiscal Year Ending June 30,	(a) Lease Expense	(b) Lease Payments	(c) Discount (6.697%)	(b) - (c) Operating Lease Liability	(a) - (c) Right-of-Use Asset
2024	\$ 1,609,743	\$ 1,491,654	\$ 572,116	\$ 919,538	\$ 1,037,627
2025	1,609,743	1,536,403	506,952	1,029,451	1,102,791
2026	1,609,743	1,582,495	434,147	1,148,348	1,175,596
2027	1,609,743	1,629,970	353,080	1,276,890	1,256,663
2028	1,609,743	1,678,868	263,081	1,415,787	1,346,663
Thereafter	3,219,486	3,510,347	216,809	3,293,538	3,002,677
Total	\$ 11,268,201	\$ 11,429,737	\$ 2,346,185	\$ 9,083,552	\$ 8,922,017

NOTE 9 – IN-KIND CONTRIBUTIONS

Contributed nonfinancial assets recognized within the statement of activities included for the years ended June 30, 2023 and 2022 amounted to \$59,207 and \$86,819, respectively.

The Academy recognized contributed nonfinancial assets within revenue, including contributed school supplies. The contributed school supplies will be used for giving youth the opportunity to receive new school supplies and backpacks for the school year. This donation will greatly help our youth be successful in school and work with new clothing and supplies.

All gifts-in-kind received during the years ended June 30, 2023 and 2022 were unrestricted.

NOTE 10 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS).

The risks of participating in this multi-employer defined benefit pension plan is different from single-employer plans because: (a) assets contributed to the multi-employer 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 Academy chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Academy has no plans to withdraw from this multi-employer plan.

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS)

Plan Description

Samueli Academy contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers’ Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members’ final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP.

Samueli Academy contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, the Academy and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period.

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 10 – EMPLOYEE RETIREMENT PLANS (continued)

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

Contributions (continued)

The contribution rates for each plan for the year ended June 30, 2023 are presented in the previous table and the Academy's total contributions were \$800,737. The Academy's total contributions for the year ended June 30, 2022 were \$680,718.

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the Academy. These payments consist of State General Fund contributions to CalSTRS in the amount of \$392,694 (9.8% of certificated annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

403(b) Tax Deferred Annuity Plan

For staff, Samuelli Academy participates in the 403(b) plan (the Plan) established by the Orangewood Foundation. The Plan provides a discretionary employer match of up to 100% of non-certificated employee contributions to a maximum of \$2,000 in 2023 and 2022. Vesting in the employer match is over five years at 20% per year. Employees become eligible as of the first of the month following the date of hire. Samuelli Academy made \$13,635 and \$14,895 of matching contributions to the Plan during the years ended June 30, 2023 and 2022, respectively. The 403(b) Plan is subject to an annual calendar year audit. The most recent 403(b) audit report for 2022 is available upon request.

NOTE 11 – RELATED PARTY TRANSACTIONS

Board Member Contributions

Various board members make contributions to the Academy through donations, fundraising events, and volunteer time. General contributions recorded from board members during the years ended June 30, 2023 and 2022, totaled approximately \$150,356 and \$154,691, respectively, which are recorded in general contributions in the accompanying statement of activities.

Samuelli Academy PPA, LLC

On November 15, 2022, Samuelli Academy entered into an agreement with the Robert Istwan Trust to create the Samuelli Academy PPA, LLC. Robert Istwan is the owner of Motive Energy and a board member of Orangewood Foundation, Samuelli Academy's sole voting member. Samuelli Academy has a 1% voting interest in Samuelli Academy PPA, LLC and the Robert Istwan Trust has a 99% voting interest. Samuelli Academy has invested \$784,000 in Samuelli Academy PPA, LLC and the Robert Istwan Trust is contributing \$876,000 as outlined in the Operating Agreement for the purchase of a solar system. In addition, the Operating agreement notes that the Robert Istwan Trust will receive any federal tax credits available through the purchase of the solar system and Samuelli Academy will receive the power generated through the system at a reduced price as outlined in the Power Purchase Agreement. Lastly, the system will revert to the ownership of Samuelli Academy for \$1 after a term of 6 years once operational.

On November 16, 2022, Samuelli Academy PPA, LLC entered into a purchase agreement with Motive Energy Storage Systems for the purchase of a solar system to be installed on the Samuelli Academy campus for a total cost of \$1,660,000. The system has a guarantee to generate at least 5,113,081 kWh over a 6 year period. On November 15, 2022, Samuelli Academy entered into a Power Purchase Agreement with Samuelli Academy PPA, LLC for the power generated through the solar system. The term of the agreement is for 6 years and the rate is \$.01/kWh produced, payable monthly.

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

Orangewood Foundation

The Academy has a service agreement with Orangewood Foundation. The service agreement between Orangewood Foundation and Samuelli Academy sets out the terms for employees of the Foundation to provide various administrative, human resources, finance, information technology, facilities, marketing and fundraising services to the Academy. As these services are provided throughout the year, the Academy will reimburse the Foundation for these services at or below the Foundation's cost. Reimbursements to the Foundation for services were \$979,726 and \$867,427 for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023, an intercompany payable was due from the Academy to the Foundation for \$205,708.

The Academy leases its facilities from Orangewood Real Property, LLC. Under the terms of this lease, during the years June 30, 2023 and 2022, \$1,448,208 and \$1,170,635 in rental payments were made, respectively. Additional information regarding the lease agreement is provided at Note 8.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Samuelli Academy is approved to operate as a public charter school through authorization by the Orange County Department of Education. As such, the Academy is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

The Academy makes payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to \$106,310 for the fiscal year ending June 30, 2023.

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. As a result, the charter petition end date was extended to June 30, 2025. Refer to Note 14 for information on further extension to June 30, 2026.

Governmental Funds

Samuelli Academy 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 reimbursements, if required, would not be material.

Employee Retention Credit

Management has deemed that the Academy is eligible for the Employee Retention Credit (ERC) under the CARES Act. The ERC is a refundable tax credit for certain employment taxes for eligible employers meeting certain criteria. The credit is claimed either by filing the original or adjusted employee tax return(s) with the Internal Revenue Service. The ERC is a government grant accounted for as a conditional contribution under FASB revenue recognition standards. The Academy has recorded a total of \$393,984 as federal revenue and \$14,975 in interest income during the year ended June 30, 2023. There is no accounts receivable balance held as of June 30, 2023 related to ERC funds.

SAMUELI ACADEMY
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITY

The Academy is a participant in the El Dorado Special Education Local Plan Area (SELPA), a joint powers authority (JPA) for special education funding. The relationship between the Academy and the JPA is such that the JPA is not considered a component unit of the Academy for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units and the JPA's financial statements are not presented in these financial statements; however, transactions between JPA and The Academy are included in these statements. Audited financial statements for JPA were not available for fiscal year 2022-23 at the time this report was issued. However, financial statements should be available directly from the agency.

During the years ended June 30, 2023 and 2022, Samuelli Academy made payments of \$22,130 and \$19,022, respectively, to the El Dorado SELPA for services received. At June 30, 2023, the Academy had no recorded accounts receivable or accounts payable to the JPA.

NOTE 14 – SUBSEQUENT EVENTS

Samuelli Academy has evaluated subsequent events for the period from June 30, 2023 through September 30, 2023, the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add "all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year." As a result, the charter petition end date is extended to June 30, 2026.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

**SAMUELI ACADEMY
LEA ORGANIZATION STRUCTURE
JUNE 30, 2023**

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

Samueli Academy (Charter No. 1419) was granted on February 15, 2012, by the Orange County Department of Education and opened on August 29, 2013. In May 2018, a five-year extension was granted through June 2023. Due to legislative changes post-COVID, the current charter petition has an end date of June 30, 2026. The Academy operates one school for students in grades seven through twelve.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Chris Scheithauer	Chair	June 2024
Liz Dorn Parker	Vice Chair & Treasurer	June 2026
Richard Arum	Secretary	June 2026
Sandi Jackson	Trustee	June 2026
Susan Samueli	Trustee	June 2026
Susan Barua	Trustee	June 2025
Robert Santana	Trustee	June 2024

ADMINISTRATION

Anthony Saba
Executive Director

John R. Luker
Chief Financial Officer

Lee Fleming
Head of School

SAMUELI ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Samuelli Academy 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 Academy has not elected to use the 10 percent de minimis indirect cost rate.

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 166,257
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	23,988
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	11,958
<i>COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:</i>			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	142,041
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	112,898
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	46,696
Subtotal Education Stabilization Fund Discretionary Grants			<u>301,635</u>
<i>Passed through El Dorado Charter SELPA:</i>			
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	118,326
Total U. S. Department of Education			<u>622,164</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program - Needy	10.553	13526	71,935
National School Lunch Program	10.555	13391	183,861
Supply Chain Assistance (SCA) Funds	10.555	15655	23,705
Subtotal Child Nutrition Cluster			<u>279,501</u>
Total U. S. Department of Agriculture			<u>279,501</u>
Total Federal Expenditures			<u>\$ 901,665</u>

The following schedule provides a reconciliation between revenues reported on the statement of activities and the related expenditures reported on the schedule of expenditures of Federal awards. The reconciling amounts represent federal funds that are either not subject to a Federal Single Audit or federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2023.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Activities		\$ 1,294,924
Treasury Dept. (IRS): Employee Retention Credit Program	None	(393,984)
Specia Education: IDEA Mental Health ADA Allocation, Part B, Sec 611	84.027A	725
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 901,665</u>

**SAMUELI ACADEMY
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2023**

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.

	<u>Second Period Report</u>	<u>Annual Report</u>
	<u>Classroom-Based</u>	
Grade Span		
Regular		
Seventh through eighth	242.26	241.96
Ninth through twelfth	510.27	508.69
Special education		
Ninth through twelfth	<u>0.88</u>	<u>0.85</u>
Total Average Daily Attendance - Classroom-Based	<u>753.41</u>	<u>751.50</u>
Total Average Daily Attendance	<u>753.41</u>	<u>751.50</u>

The Academy had no Nonclassroom-Based ADA in 2022-23.

**SAMUELI ACADEMY
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2023**

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

Grade Level	Minutes Requirement	2022-23 Instructional Minutes	2022-23 Number of Days	Status
Grade 7	54,000	59,885	184	Complied
Grade 8	54,000	59,885	184	Complied
Grade 9	64,800	67,930	185	Complied
Grade 10	64,800	67,930	185	Complied
Grade 11	64,800	67,930	185	Complied
Grade 12	64,800	67,930	185	Complied

SAMUELI ACADEMY
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2023

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

June 30, 2023, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 7,674,881</u>
Adjustments:	
Increase (decrease) in total net assets:	
Lease expense related to ASC 842 implementation	<u>(161,535)</u>
June 30, 2023, net assets per audited financial statements	<u>\$ 7,513,346</u>

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 Trustees of
Samueli Academy
Santa Ana, 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 Samueli Academy (the "Academy") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated September 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
September 30, 2023

**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 Trustees of
Samueli Academy
Santa Ana, California

Report on Compliance for Each Major Federal Program**Opinion on Each Major Federal Program**

We have audited Samueli Academy'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 Samueli Academy's major federal programs for the year ended June 30, 2023. Samueli Academy'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, Samueli Academy 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, 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; 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 Samueli Academy 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 Samueli Academy'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 Samueli Academy'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 Samueli Academy'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.

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

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 Samueli Academy'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 Samueli Academy's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Samueli Academy'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 Samueli Academy'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.

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

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

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

Christy White, Inc.

San Diego, California
September 30, 2023

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Trustees of
Samueli Academy
Santa Ana, California

Report on State Compliance**Opinion on State Compliance**

We have audited Samueli Academy's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Samueli Academy's state program-requirements for the fiscal year ended June 30, 2023.

In our opinion, Samueli Academy complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-23 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 Samueli Academy 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 Samueli Academy'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 Samueli Academy'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 Samueli Academy'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.

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

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 Samueli Academy’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 Samueli Academy’s compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Samueli Academy’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 Samueli Academy’s internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Samueli Academy’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	Yes
Transitional Kindergarten	Not applicable
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	Yes

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

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

Report on Internal Control Over Compliance

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

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

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

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

Christy White, Inc.

San Diego, California
September 30, 2023

FINDINGS AND QUESTIONED COSTS SECTION

**SAMUELI ACADEMY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

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>	
10.553, 10.555 Child Nutrition Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SAMUELI ACADEMY
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2023.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2023.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

PRIOR AUDIT FINDINGS

This section presents the status of actions taken by Samuelli Academy 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, 2022.