

SKY MOUNTAIN CHARTER SCHOOL
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2020

SKY MOUNTAIN CHARTER SCHOOL

TABLE OF CONTENTS JUNE 30, 2020

	<u>PAGE</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 7
Statement of Financial Position	8
Statement of Activities	9
Statement of Functional Expenses	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 – 19
SUPPLEMENTARY INFORMATION SECTION	
Local Education Agency Organization Structure	21
Schedule of Average Daily Attendance	22
Schedule of Instructional Time	23
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	24
Notes to Supplementary Information	25
OTHER INDEPENDENT AUDITOR'S 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 <i>Government Auditing Standards</i>	27 – 28
Report on State Compliance	29 – 31
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of Findings and Questioned Costs	33 – 34
Schedule of Prior Audit Findings	35



INDEPENDENT AUDITOR'S REPORT

To the Members of the Governing Board of
Sky Mountain Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Sky Mountain Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report
Members of the Governing Board
Sky Mountain Charter School
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sky Mountain Charter School as of June 30, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The management's discussion and analysis on pages 3 – 7 and the accompanying supplementary information on pages 22 – 25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

The Local Education Agency Organization Structure on page 21 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on the schedule.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of Sky Mountain Charter 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 Sky Mountain Charter School'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 Sky Mountain Charter School's internal control over financial reporting and compliance.

Jeddeusen Company, LLP

Agoura Hills, California
October 30, 2020

SKY MOUNTAIN CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2020

The Management Discussion and Analysis section of Sky Mountain Charter School's (the School) financial report presents an overall review of the School's financial performance during the fiscal year that ended on June 30, 2020. Readers should also review the notes to the financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- Net assets increased \$1,865,329 or 26.8 percent over the course of the year.
- Total revenues received were \$18,418,916 for the fiscal year ended June 30, 2020.
- The School incurred \$16,553,587 in expenses for the fiscal year ended June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This audit report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information. The financial statements also include *notes* that explain some of the statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the financial statements. This section is not required supplementary data for the School; however, the School has requested it be included in this audit report.

FINANCIAL ANALYSIS OF THE SCHOOL

Net assets. The School's net assets of \$8,830,124 were greater on June 30, 2020 than they were the prior year, increasing by \$1,865,329 or 26.8 percent (See Table 1.) Table 1 provides a summary of the School's net assets for the fiscal years ended 2020 and 2019.

Table 1
Sky Mountain Charter School's Net Assets

Summary of Statement of Financial Position	School Activities		Total Change	Total % Change
	2020	2019		
Current assets	\$11,206,508	\$ 7,580,300	\$ 3,626,208	47.8 %
Capital assets	45,389	68,964	(23,575)	(34.2 %)
Other assets	-	6,260	(6,260)	(100.0%)
Total Assets	<u>11,251,897</u>	<u>7,655,524</u>	<u>3,596,373</u>	<u>47.0 %</u>
Current liabilities	2,421,773	690,729	1,731,044	250.6 %
Total Liabilities	<u>2,421,773</u>	<u>690,729</u>	<u>1,731,044</u>	<u>250.6 %</u>
Net assets – without donor restriction	8,830,124	6,216,901	2,613,223	42.0 %
Net assets – with donor restriction	-	747,894	(747,894)	(100.0 %)
Total Net Assets	<u>\$ 8,830,124</u>	<u>\$ 6,964,795</u>	<u>\$ 1,865,329</u>	<u>26.8 %</u>

Total assets were \$11,251,897, 71.7 percent in cash in banks, 27.9 percent in accounts receivable, and 0.4 percent in property and equipment. Total liabilities were \$2,421,773, 24.0 percent in accounts payable, 5.3 percent in accrued payroll and payroll liabilities, and 70.7 percent in current loans. Of the School's \$8,830,124 net assets and 100.0 percent were without donor restrictions.

SKY MOUNTAIN CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2020

Table 2
Analysis of Sky Mountain Charter School's Revenues, Expenses, and Total Net Assets

Summary of Statement of Activities	2020	2019
Program revenues	\$ 18,371,640	\$ 17,646,816
General revenues	<u>47,276</u>	<u>10,816</u>
Total Revenues	<u><u>18,418,916</u></u>	<u><u>17,657,632</u></u>
Program expenses	14,951,063	13,223,067
Management and general expenses	<u>1,602,524</u>	<u>2,280,120</u>
Total Expenses	<u><u>16,553,587</u></u>	<u><u>15,503,187</u></u>
Change in total net assets	1,865,329	2,154,445
Net assets, beginning	<u>6,964,795</u>	<u>4,810,350</u>
Net assets, ending	<u><u>\$ 8,830,124</u></u>	<u><u>\$ 6,964,795</u></u>

Statement of Revenues, Expenses and Changes in Net Assets. Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Activities. The purpose of this statement is to present the revenues earned, whether received or not, by the School, and the expenses incurred, whether paid or not, by the School. Thus, this statement presents the School's results of operations.

Table 3
Analysis of Sky Mountain Charter School's 2020 Budget and Actual Results

Summary of Statement of Activities	Original	Final	Actual	Final/Actual Difference
Program revenues	\$ 17,719,486	\$ 17,872,203	\$ 18,371,640	\$ 499,437
General revenues	<u>9,000</u>	<u>30,000</u>	<u>47,276</u>	<u>17,276</u>
Total Revenues	<u><u>17,728,486</u></u>	<u><u>17,902,203</u></u>	<u><u>18,418,916</u></u>	<u><u>516,713</u></u>
Certificated Salaries	6,048,615	5,930,057	5,813,135	116,922
Classified Salaries	132,954	72,868	80,152	(7,284)
Benefits	2,219,818	2,032,703	2,025,457	7,246
Books and Supplies	2,144,479	2,079,374	2,102,962	(23,588)
Contracts and Services	<u>6,974,706</u>	<u>6,797,908</u>	<u>6,531,881</u>	<u>266,027</u>
Total Expenses	<u><u>17,520,572</u></u>	<u><u>16,912,910</u></u>	<u><u>16,553,587</u></u>	<u><u>359,323</u></u>
Change in net assets	<u><u>\$ 207,914</u></u>	<u><u>\$ 989,293</u></u>	<u><u>\$ 1,865,329</u></u>	<u><u>\$ 876,036</u></u>

General Budgetary Highlights

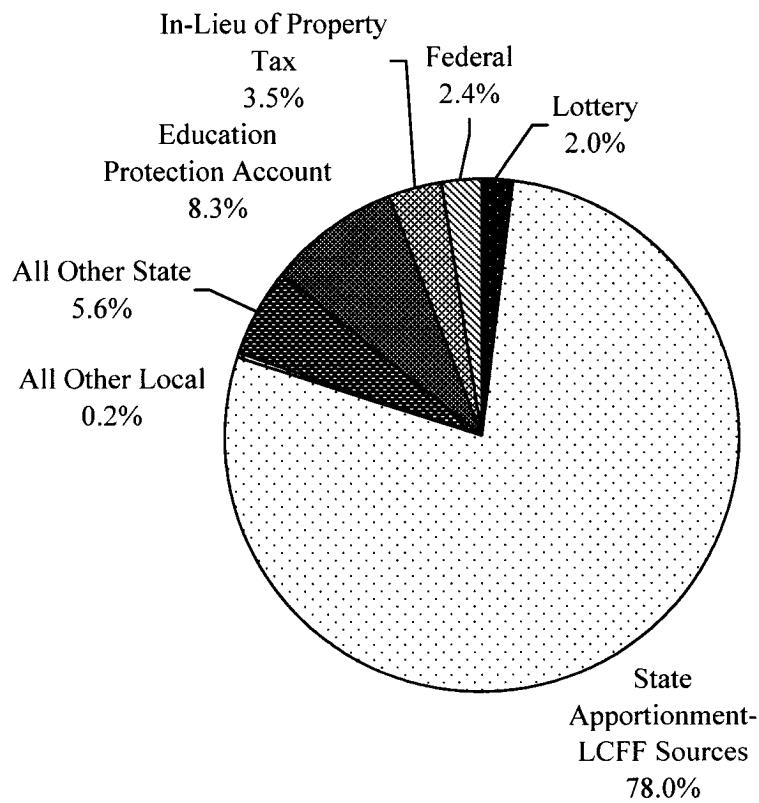
Annual Budgets are adopted on a basis consistent with generally accepted accounting principles. Per the memorandum of understanding between Sky Mountain Charter School and Lucerne Valley Unified School District, a school district organized and authorized to operate a charter school under the laws of the State of California, Sky Mountain Charter School shall prepare and submit to the District the following information: a) no later than June 1 of each school year, a proposed budget for the upcoming fiscal year showing estimated revenues and expenses based on identified and reasonable assumptions, and b) every second month, financial reports displaying the financial status of the School. The School's governing board revises these budgets during the year to consider unanticipated income and expenses.

SKY MOUNTAIN CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Governmental Activities

By the end of the fiscal year, the revenues for the School's activities totaled \$18,418,916. State apportionment-LCFF sources was 78.0 percent of total funding and 8.3 percent was derived from the state education protection account funding. Cash in-lieu of property taxes accounted for 3.5 percent of total funding and 2.0 percent was derived from state lottery funds. Federal funding represented 2.4 percent of the total funding. The remaining 5.8 percent was from all other revenue sources.

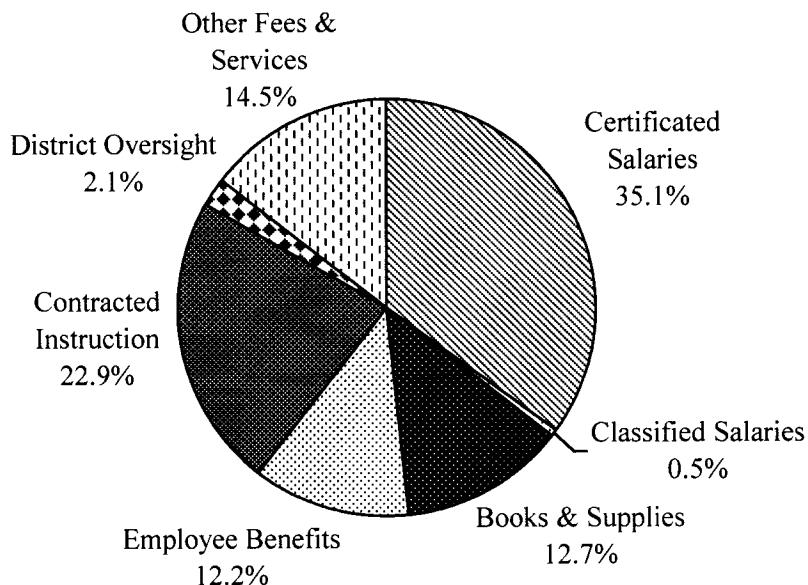
Figure 1
Sky Mountain Charter School's Revenues for Fiscal Year 2020
Analysis of Revenue Sources



SKY MOUNTAIN CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

The cost of all the School's major activities: Instruction, guidance, counseling, evaluation, school leadership, administration, maintenance and operations was \$15,503,187. Program service expenses were \$14,951,063 or 90.3 percent of total expenses, while \$1,602,524 or 9.7 percent were management and general support expenses.

Figure 2.
Sky Mountain Charter School's Expenses for Fiscal Year 2020



Capital Assets

The School is a nonclassroom-based independent study school and accordingly, does not carry significant capital assets, nor have any commitments for capital expenses in the next year. The following is a summary of changes in capital assets:

SUMMARY OF CHANGES IN PROPERTY AND EQUIPMENT

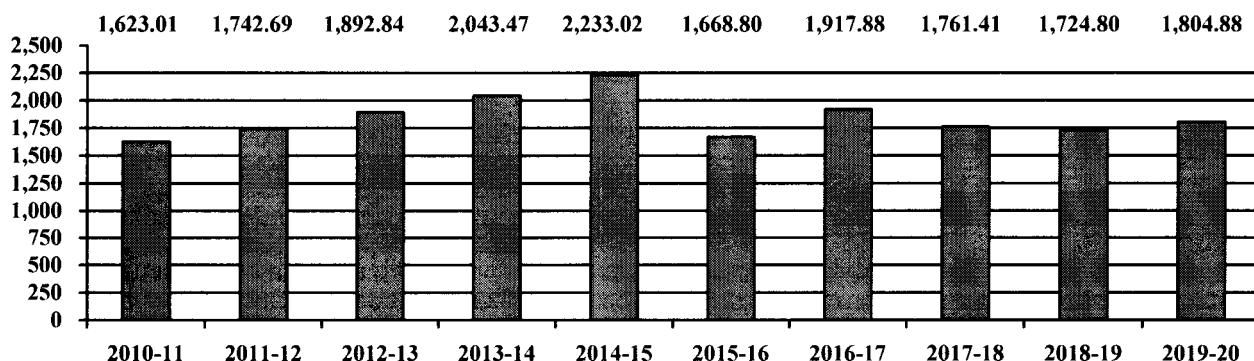
	Beginning Balance	Additions/ Subtractions	Current Depreciation	Ending Balance
Equipment, net	\$ 68,964	\$ -	\$ 23,575	\$ 45,389
Totals	\$ 68,964	\$ -	\$ 23,575	\$ 45,389

SKY MOUNTAIN CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Average Daily Attendance

Average Daily Attendance increased by 80.08 to 1,804.88 for the fiscal year ended June 30, 2020 at the P-2 reporting period. The School is continuing to focus on ways to improve student retention and attendance for the 2020-21 school year.

Second Period Report Average Daily Attendance (ADA)



Factors Bearing on the School's Future

- Although the School is financially stable, its financial condition is highly dependent upon the economic condition of the State of California.
- Due to the ongoing COVID-19 pandemic, the state has implemented revenue payment deferrals to all public schools in the state of California.
- The state has also capped funding at prior year 2019-20 Average Daily Attendance (ADA) levels, no matter what current year 2020-21 ADA is. The School has increased enrollment during the 2020-21 school year but are confident will be able to operate as normal due to healthy reserves.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Jodi Jones, Innovative Education Management at (530) 295-3566.

SKY MOUNTAIN CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash in Bank	\$ 8,071,043
Accounts Receivable	3,135,465
Total Current Assets	<u>11,206,508</u>

PROPERTY AND EQUIPMENT, NET

45,389

Total Assets

\$ 11,251,897

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 581,317
Accrued Payroll and Payroll Liabilities	115,585
Due to Grantor Governments	11,932
Current Loans	<u>1,712,939</u>
Total Current Liabilities	<u>2,421,773</u>

Total Liabilities

2,421,773

NET ASSETS

Without Donor Restriction	
Operating	<u>8,830,124</u>
Total Net Assets	<u>8,830,124</u>

Total Liabilities and Net Assets

\$ 11,251,897

The accompanying notes are an integral part of these financial statements

SKY MOUNTAIN CHARTER SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

REVENUE AND SUPPORT

LCFF Sources:		
State Aid	\$	14,370,754
Education Protection Account		1,524,820
In-Lieu of Property Taxes		637,364
Federal Revenues		440,852
State Revenues:		
Special Education		964,258
Lottery Revenue		373,403
Other State Revenues		60,189
Other Local Revenues:		
Interest Income		28,065
Other Local Revenues		19,211
Total Revenue and Support		18,418,916

EXPENSES

PROGRAM SERVICES		
Education		14,951,063
SUPPORT SERVICES		
Management and General		1,602,524
Total Expenses		16,553,587

INCREASE IN NET ASSETS		1,865,329
Net Assets, Beginning of Year		6,964,795
Net Assets, End of Year	\$	8,830,124

The accompanying notes are an integral part of these financial statements

SKY MOUNTAIN CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Support Services		Total Services
	Education	Management and General		
Compensation and Related Expenses				
Salaries - Certificated	\$ 5,684,642	\$ 128,493	\$ 5,813,135	
Salaries - Classified	80,152	-	80,152	
Pension Expense	850,143	25,642	875,785	
Other Employee Benefits	1,002,294	8,679	1,010,973	
Payroll Taxes	127,984	10,715	138,699	
Total Compensation and Related Expenses	7,745,215	173,529	7,918,744	
 Books and Supplies	 2,102,962	 -	 2,102,962	
Travel and Conferences	64,265	3,426	67,691	
Dues and Memberships	-	7,566	7,566	
Insurance	-	73,939	73,939	
Rentals, Leases, Repairs	30,714	22,982	53,696	
Contracted Instruction	3,794,718	-	3,794,718	
District Oversight	239,286	102,551	341,837	
Other Fees for Services	947,482	1,186,327	2,133,809	
Communications	26,421	8,629	35,050	
Depreciation Expense	-	23,575	23,575	
 Total	 \$ 14,951,063	 \$ 1,602,524	 \$ 16,553,587	

The accompanying notes are an integral part of these financial statements

SKY MOUNTAIN CHARTER SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 1,865,329
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	23,575
(AIncrease) Decrease in:	
Accounts Receivable	152,463
Deposits	6,260
Increase (Decrease) in:	
Accounts Payable	(90,390)
Accrued Payroll and Payroll Liabilities	96,563
Due to Grantor Governments	11,932
	<hr/>
Net Cash Provided by Operating Activities	2,065,732

CASH FLOWS FROM INVESTING ACTIVITIES:

Net Cash Provided (Used) by Investing Activities	-
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Short-Term Loan	<hr/> 1,712,939
Net Cash Provided by Financing Activities	<hr/> 1,712,939
Net Increase in Cash and Cash Equivalents	3,778,671
Cash, Beginning of Year	<hr/> 4,292,372
Cash, End of Year	<hr/> \$ 8,071,043

The accompanying notes are an integral part of these financial statements

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities – Sky Mountain Charter School (the School) began instruction during the 2007-2008 school year. The current charter is sponsored by the Lucerne Valley Unified School District and has been renewed through June 30, 2025. The School believes in educating each of their students for the 21st century by providing individualized learning opportunities that incorporate parental participation, choice and involvement in curricula offered in personalized learning environments and small learning communities. The School is open to all students in grades K – 12 in San Bernardino County, and its contiguous counties of Inyo, Kern, Los Angeles, Orange and Riverside.

The School receives most of its funding from both state sources and local taxes through the State of California local control funding formula. Charters may be revoked by the sponsoring district for material violations of the charter, failure to meet student goals identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law. California Education Code Section 47604 states that a district granting a charter to a charter school to be operated by a non-profit public benefit corporation shall not be liable for the debts or obligations of the charter school.

Basis of Accounting – The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – The School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – These net assets generally result from state, federal and local funding that is received without donor restrictions, less expenses incurred in providing program-related services and performing administrative functions.

Net assets with donor restrictions – These net assets result from state, federal and local funding that is received with donor restrictions that limit the use of the funds, either temporarily until the stipulated time restriction ends or the purpose of the restriction is accomplished, or in perpetuity.

Cash and Cash Equivalents – For purposes of the statement cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – The School receives Federal, State and local revenues for their various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance of students. Unearned revenue is recorded to the extent cash received on grants exceeds qualified expenses. Some government grants are based on reimbursable costs as defined by the grants. Reimbursements recorded under these grants are subject to audit by the granting agency. Management believes that no material adjustments will result from subsequent audits of costs reflected in the accompanying financial statements. The School has elected to present revenue received with donor restrictions as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the revenue is recognized.

All contributions are considered to be without donor restriction unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restriction.

Accounts Receivable – Accounts receivable primarily represent amounts due from federal, state and local governments as of June 30, 2020 and are recorded at their net realizable value. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant management estimates included in the financial statements are the collectability of the receivables, the estimated useful lives of fixed assets and the functional allocation of expenses.

Property and Equipment – Property and equipment acquisitions are recorded at cost, or if donated, at fair value at date of gift. Purchases and donations with a useful life of more than one year and an acquisition cost of \$5,000 or more are capitalized. Contributions of donated fixed assets are reported as increases to net assets without donor restrictions unless the donor has stipulated that the donation has a specific purpose. Expenses for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. For additional information, see Note 5.

Advertising – The School expenses advertising costs as incurred. For the year ended June 30, 2020 and 2019, advertising costs totaled \$37,072 and \$17,391, respectively.

Compensated Absences – An accrual for compensated absences has not been made in these financial statements. The amount of any accrual for compensated absences is not considered material at June 30, 2020.

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses – The School’s expenses have been allocated between program and support services, based on direct identification when possible, and allocation if a single expense benefits more than one program or function. Expenses that require allocation are allocated on a personnel-cost basis that is consistently applied.

Fair Value Measurements – Generally accepted accounting principles related to fair value measurements (a) define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and (b) set out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets and liabilities in active markets to which the School has access.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs are unobservable and significant to the fair value measurement.

An asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Income Taxes – Innovative Education Management, Inc. (IEM), the operator of Sky Mountain Charter School, is exempt from federal and state income tax under 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, IEM qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been reflected in these financial statements. IEM has considered its tax positions and believes that all of the tax positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination; therefore, no accounting adjustment has been made to the financial statements and no disclosures of uncertain income tax positions are required. IEM’s returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Evaluation of Subsequent Events – The School has evaluated subsequent events through October 30, 2020, the date these financial statements were available to be issued. The School determined no additional disclosures were required.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Cash balances held in banks and/or credit unions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The School has not experienced any losses in such accounts. At June 30, 2020, deposits in excess of the FDIC limit amount to approximately \$7,900,000. Management believes the School is not exposed to any significant credit risk related to cash.

NOTE 3 – LIQUIDITY AND RESERVES

The School has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The following reflects the School's financial assets as of June 30, 2020, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal board designations.

	2020
Cash and cash equivalents	\$ 8,071,043
Accounts receivable, net, collected in less than one year	<u>3,135,465</u>
Total financial assets, excluding noncurrent receivables	11,206,508
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$11,206,508</u>

In addition to financial assets available to meet general expenditures over the year, the School operates with a balanced budget and anticipates covering its general expenditures by receiving the state, federal, and local funding apportionments due to the School, and spending within the approved budget and plans.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable outstanding at June 30, 2020 consisted of the following:

State Government	\$ 2,334,139
Local Government	572,588
All Other Revenues	<u>228,738</u>
Total Accounts Receivable	<u>\$ 3,135,465</u>

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – PROPERTY AND EQUIPMENT

A schedule of changes in property and equipment and accumulated depreciation for the year ended June 30, 2020, is as follows:

SUMMARY OF CHANGES IN PROPERTY AND EQUIPMENT

	Beginning Balance	Additions	Subtractions	Ending Balance
Equipment	\$ 145,404	\$ -	\$ -	\$ 145,404
Totals	<u>\$ 145,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,404</u>

SUMMARY OF CHANGES IN ACCUMULATED DEPRECIATION

	Beginning Balance	Additions	Subtractions	Ending Balance
Equipment	\$ 76,440	\$ 23,575	\$ -	\$ 100,015
Totals	<u>\$ 76,440</u>	<u>\$ 23,575</u>	<u>\$ -</u>	<u>\$ 100,015</u>

During the fiscal year ended June 30, 2020, \$23,575 was charged to depreciation expense.

NOTE 6 – CURRENT LOANS

The School received a U.S. Small Business Administration PPP Loan on April 15, 2020, from the lender River City Bank. The loan is in the amount of \$1,712,939 and has a 1.00 percent interest rate per annum. No payments are due on the loan for six months from the disbursement date and the School is eligible to apply to River City Bank for forgiveness of the amount due on the loan. The amount of loan forgiveness shall be calculated (and may be reduced) in accordance with the requirements of the Paycheck Protection Program. The note will mature in two years from the date of the note.

The School intends to apply for forgiveness of the entire amount and expects to receive full forgiveness based on the eligible disbursements of the loan proceeds. As of June 30, 2020, the full amount is still considered a loan as the School has not yet applied for, or received, forgiveness.

NOTE 7 – EMPLOYEE BENEFIT PLANS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). All employees who are not members of CalSTRS or CalPERS must contribute to the federal Social Security system.

The risks of participating in these multi-employer plans are different from single-employer plans in the following respects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 – EMPLOYEE BENEFIT PLANS (CONTINUED)

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- The required member, employer, and State contribution rates are set by the California Legislature.
- If the School chooses to stop participating in the multi-employer plans, it may be required to pay those plans an amount based on the unfunded status of the plan, referred to as a withdrawal liability.

The School has no plans to withdraw from these multi-employer plans.

California State Teachers' Retirement System (CalSTRS)

Plan Name:	California State Teachers' Retirement System
Plan EIN:	94-6291617
Actuarial value of assets:	\$205,016
Actuarial accrued liability:	\$310,719
Unfunded accrued liability:	\$105,703
Funded status:	65 to 80 percent funded

The actuarial value of assets and accrued liability are expressed in millions and are valued as of June 30, 2019, the most recent actuarial valuation date.

Plan Description

The School contributes to the State Teachers Retirement Plan (STRP), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, 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, 100 Waterfront Place, West Sacramento, California 95605, and is also available online at www.calstrs.com.

Benefits Provided

The benefits are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. The California Public Employees' Pension Reform Act of 2013 (PERPA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PERPA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with a minimum of five years of CalSTRS-credit service.

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Contributions

The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. School employer contributions will increase from 8.25 percent to a total of 19.1 percent of covered payroll over a seven-year period, effective July 1, 2014. The required employer contribution rate for the fiscal year 2019-20 was 17.10 percent of annual payroll. The School's contribution to CalSTRS for the fiscal years ended June 30, 2020, 2019 and 2018 was \$843,291, \$749,889 and \$647,808, respectively, and equals 100.0 percent of the required contributions for the year. The School's contributions are less than 5 percent of total plan contributions. For the fiscal year 2021, the School is required to contribute 18.40 percent of annual payroll.

California Public Employees' Retirement System (CalPERS)

Plan Name:	California Public Employees' Retirement System
Plan EIN:	94-6207465
Market value of assets:	\$68,177
Actuarial accrued liability:	\$99,528
Unfunded accrued liability:	\$31,351
Funded status:	65-80 percent funded

The market value of assets and the actuarial accrued liability are expressed in millions and are valued as of June 30, 2019, the most recent actuarial valuation date.

Plan Description

The School contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811, and is also available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PERPA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PERPA, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

SKY MOUNTAIN CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Contributions

Contribution rates for the CalPERS plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Classic plan members, defined as a member who joined CalPERS prior to January 1, 2013, are required to contribute 6.5 percent of their salary. New members who joined CalPERS for the first time on or after January 1, 2013 are required to contribute 7 percent of their salary. The required employer contribution rate for the fiscal year 2019-20 was 19.721 percent of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute. The School's contributions to CalPERS for the fiscal years ended June 30, 2020, 2019 and 2018 was \$32,494, \$30,554 and \$24,003, respectively, and equals 100.0 percent of the required contributions for the year. The School's contributions are less than 5 percent of total plan contributions. For the fiscal year 2021, the School is required to contribute 20.70 percent of annual payroll.

NOTE 8 – CONTINGENCIES

The School receives a number of grants from various local, state, and federal governmental agencies. These grants are subject to audit by the corresponding oversight agency as to allowable costs paid with governmental funds and as to the share of costs contributed by the School. The School could be liable for as much as the full amount of governmental funds expended for the year if, under audit, the oversight agency was to determine that all costs charged to the program were disallowed.

NOTE 9 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of schools and early childhood centers. Sky Mountain Charter School, while a public charter school in the state of California, is also a nonclassroom-based, independent study charter school, and therefore, business disruption has been limited. The School has been able to continue operations as normal, with small changes in operations. This remains the same for the 2020-21 school year. The state of California has placed budget caps and revenue deferrals on public schools, which will affect the School. The School has strong reserves, and management does not expect these matters to negatively impact operating results. However, the related financial impact and duration cannot be reasonably estimated at this time due to uncertainty.

SKY MOUNTAIN CHARTER SCHOOL

SUPPLEMENTARY INFORMATION SECTION

**FOR THE YEAR ENDED
JUNE 30, 2020**

SKY MOUNTAIN CHARTER SCHOOL

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2020

ORGANIZATION

Sky Mountain Charter School (the School) was granted a charter on May 16, 2007 and is sponsored by the Lucerne Valley Unified School District. The sponsor has subsequently renewed the charter through June 30, 2025. The School is a non-classroom-based charter school serving students in kindergarten through twelfth grades in the following California counties: San Bernardino, Inyo, Kern, Los Angeles, Orange and Riverside. The School's charter number authorized by the state of California is 905.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM</u>	<u>TERM EXPIRES</u>
Desiree Cisneros	Member	One Year	June 30, 2020
Tawanna Cullen	Member	One Year	June 30, 2020
Jennifer Radford	Member	One Year	June 30, 2020
Shah-yee Mojica	Member	One Year	June 30, 2020
Melissa Wong	Member	One Year	June 30, 2020

ADMINISTRATIVE OFFICERS

Argi Sayari, President
Kirstine Bowers, Treasurer
Brenda Christensen, Secretary

ADMINISTRATION

Jodi Jones, CEO, Innovative Education Management, Inc.

BUSINESS MANAGER

Innovative Education Management, Inc.

See auditor's report and the notes to supplementary information

SKY MOUNTAIN CHARTER SCHOOL

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE YEAR ENDED JUNE 30, 2020

	Second Period Report		Annual Report	
	Independent		Independent	
	Study	Total	Study	Total
Grades TK/K through 3	524.07	524.07	524.07	524.07
Grades 4 through 6	439.65	439.65	439.65	439.65
Grades 7 and 8	373.89	373.89	373.89	373.89
Grades 9 through 12	467.27	467.27	467.27	467.27
ADA Totals	1,804.88	1,804.88	1,804.88	1,804.88

IMPORTANT NOTES:

100% of the reported Average Daily Attendance is non-classroom based. Sky Mountain Charter School did not have classroom-based ADA.

See auditor's report and the notes to supplementary information

SKY MOUNTAIN CHARTER SCHOOL

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE YEAR ENDED JUNE 30, 2020

	2019-20 Minutes		Number of Days	
	Requirement	Actual	Traditional Calendar	Status
Grades TK/Kindergarten	N/A	Not Calculated	175	In Compliance
Grade 1	N/A	Not Calculated	175	In Compliance
Grade 2	N/A	Not Calculated	175	In Compliance
Grade 3	N/A	Not Calculated	175	In Compliance
Grade 4	N/A	Not Calculated	175	In Compliance
Grade 5	N/A	Not Calculated	175	In Compliance
Grade 6	N/A	Not Calculated	175	In Compliance
Grade 7	N/A	Not Calculated	175	In Compliance
Grade 8	N/A	Not Calculated	175	In Compliance
Grade 9	N/A	Not Calculated	175	In Compliance
Grade 10	N/A	Not Calculated	175	In Compliance
Grade 11	N/A	Not Calculated	175	In Compliance
Grade 12	N/A	Not Calculated	175	In Compliance

Sky Mountain Charter School does not offer site-based instruction, therefore
the instructional minutes requirement is not applicable.

SKY MOUNTAIN CHARTER SCHOOL

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

June 30, 2020 Annual Financial and Budget Report Fund Balance (Net Assets)	\$	8,830,124
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Adjustments and Reclassifications Increase (Decrease):

There were no audit adjustments for the year ended June 30, 2020

June 30, 2020 Audited Financial Statement Fund Balance (Net Assets)	\$	<u>8,830,124</u>
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SKY MOUNTAIN CHARTER SCHOOL

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES:

A. Local Education Agency Organization Structure

This schedule provides information about Sky Mountain Charter School's (the School) date and granting authority, members of the governing board, and members of the administration.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

The School does not receive funding for classroom-based instruction. If they had, this schedule would present information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances (net assets) of the School as reported on the Annual Financial and Budget Report form to the audited financial statements.

SKY MOUNTAIN CHARTER SCHOOL

OTHER INDEPENDENT AUDITOR'S REPORTS

**FOR THE YEAR ENDED
JUNE 30, 2020**



INDEPENDENT AUDITOR'S 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

To Members of the Governing Board of
Sky Mountain Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sky Mountain Charter School, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Compliance and Other Matters

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

Report on Internal Control
Members of the Governing Board
Sky Mountain Charter School
Page 2

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Feddersen Company, LLP

Agoura Hills, California
October 30, 2020



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Members of the Governing Board of
Sky Mountain Charter School

Report on State Compliance

We have audited Sky Mountain Charter School's compliance with the state compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2020. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Sky Mountain Charter School's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Sky Mountain Charter School's compliance with the state laws and regulations based on our audit.

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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Sky Mountain Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sky Mountain Charter School's compliance with those requirements.

Compliance Requirements Tested

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

<u>Compliance Requirements</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Independent Study	Not applicable
Continuation Education	Not applicable

<u>Compliance Requirements</u>	<u>Procedures Performed</u>
Instructional Time	Not applicable
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
Gann Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Not applicable
Transportation Maintenance of Effort	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	No, see below
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	No, see below
Charter Schools:	
Attendance	Yes
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

Under Local Education Agencies Other than Charter School, the term “Not applicable” is used above to mean that the program does not apply to charter schools.

We did not perform any procedures related to the California Clean Energy Jobs Act because Sky Mountain Charter School does not have expenditures for this program.

We did not perform any procedures related to the After/Before School Education and Safety Program because Sky Mountain Charter School does not receive state funding for this program.

We did not perform any procedures related to the Independent Study-Course Based Program because Sky Mountain Charter School does not receive state funding for this program.

We did not perform any procedures related to Mode of Instruction because Sky Mountain Charter School is 100.0 percent non-classroom based and did not report any site-based attendance.

Report on State Compliance
Members of the Governing Board
Sky Mountain Charter School
Page 3

We did not perform any procedures related to Annual Instructional Minutes – Classroom Based because Sky Mountain Charter School is 100.0 percent non-classroom based and did not report any site-based attendance.

We did not perform any procedures related to Charter School Facility Grant Program because Sky Mountain Charter School does not receive state funding for this program.

Opinion

In our opinion, Sky Mountain Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to state programs for the year ended June 30, 2020.

Jeddeusen Company, LLP
Agoura Hills, California
October 30, 2020

SKY MOUNTAIN CHARTER SCHOOL

FINDINGS AND RECOMMENDATIONS SECTION

**FOR THE YEAR ENDED
JUNE 30, 2020**

SKY MOUNTAIN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>Not Applicable</u>
Significant deficiency(ies) identified?	<u>Not Applicable</u>
Type of auditor’s report issued on compliance for major programs:	<u>Not Applicable</u>
Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)?	<u>Not Applicable</u>

Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
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Sky Mountain Charter School did not have any major programs.

Dollar threshold used to distinguish between type A and type B programs:	<u>Not Applicable</u>
Auditee qualified as low-risk auditee?	<u>Not Applicable</u>

State Awards

Type of auditor’s report issued on compliance for state programs:	<u>Unmodified</u>
Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

SKY MOUNTAIN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. All audit findings must be identified as one or more of the following categories:

Five <u>Digit Code</u>	<u>Finding Types</u>
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

There were no findings and questioned costs related to the basic financial statements, federal or state awards for the year ended June 30, 2020.

SKY MOUNTAIN CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

<u>Finding</u>	<u>Code</u>	<u>Recommendation</u>	<u>Current Status</u>
There were no findings and questioned costs related to the basic financial statements, federal awards, or state awards for the prior year ended June 30, 2019.			