



YU MING CHARTER SCHOOL

AUDIT REPORT

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

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

Yu Ming Charter (Charter No. 1296)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yu Ming Charter School
Oakland, California

Report on the Financial Statements**Opinion**

We have audited the accompanying financial statements of Yu Ming Charter School 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 Yu Ming Charter School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Yu Ming Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in section O of Note 1 to the financial statements, in 2022-23 Yu Ming Charter School 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 Yu Ming Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Yu Ming Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Yu Ming Charter School's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024 on our consideration of Yu Ming 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 Yu Ming 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 Yu Ming Charter School's internal control over financial reporting and compliance.



San Diego, California
February 28, 2024

YU MING CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 4,525,336
Accounts receivable	3,102,416
Prepaid expenses	344,919
Deposits	<u>50,213</u>
Total current assets	<u>8,022,884</u>

Noncurrent assets

Right-of-use asset	2,027,270
Capital assets, net	<u>44,027</u>
Total noncurrent assets	<u>2,071,297</u>
Total Assets	<u>\$ 10,094,181</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 1,533,333
Operating lease liability	1,989,930
Deferred revenue	<u>1,094,001</u>
Total liabilities	<u>4,617,264</u>

Net assets

Without donor restrictions	<u>5,476,917</u>
Total net assets	<u>5,476,917</u>
Total Liabilities and Net Assets	<u>\$ 10,094,181</u>

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

**YU MING CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	\$ 7,988,529
Federal revenues	453,943
Other state revenues	<u>2,508,810</u>
Total federal and state support and revenues	<u>10,951,282</u>
Local support and revenues	
Payments in lieu of property taxes	19,631
Grants and donations	2,961,434
Childcare fees	348,155
Other local revenues	<u>144,231</u>
Total local support and revenues	<u>3,473,451</u>
Total Support and Revenues	<u>14,424,733</u>
EXPENSES	
Program services	10,362,960
Supporting services	
Management and general	2,077,749
Fundraising	<u>120,779</u>
Total Expenses	<u>12,561,488</u>
CHANGE IN NET ASSETS	1,863,245
Net Assets - Beginning	<u>3,613,672</u>
Net Assets - Ending	<u>\$ 5,476,917</u>

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

**YU MING CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
Personnel expenses				
Certificated salaries	\$ 4,107,307	\$ -	\$ -	\$ 4,107,307
Non-certificated salaries	1,869,867	770,695	-	2,640,562
Pension plan contributions	705,558	-	-	705,558
Payroll taxes	213,406	58,332	-	271,738
Other employee benefits	500,737	64,565	-	565,302
Total personnel expenses	7,396,875	893,592	-	8,290,467
Non-personnel expenses				
Books and supplies	826,272	66,152	-	892,424
Insurance	-	127,402	-	127,402
Facilities	987,485	257,301	-	1,244,786
Professional services	893,157	643,979	120,779	1,657,915
Depreciation	34,159	-	-	34,159
Fees to authorizing agency	70,871	-	-	70,871
Other operating expenses	154,141	89,323	-	243,464
Total non-personnel expenses	2,966,085	1,184,157	120,779	4,271,021
Total Expenses	\$ 10,362,960	\$ 2,077,749	\$ 120,779	\$ 12,561,488

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

**YU MING CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,863,245
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	34,159
Lease expense - amortization of right-of-use asset	(41,288)
(Increase) decrease in operating assets	
Accounts receivable	(697,090)
Prepaid expenses	(49,240)
Deposits	50,000
Increase (decrease) in operating liabilities	
Accounts payable	158,625
Deferred revenue	681,584
Net cash provided by (used in) operating activities	<u>1,999,995</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	<u>(61,448)</u>
Net cash provided by (used in) investing activities	<u>(61,448)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,938,547
Cash and cash equivalents - Beginning	<u>2,586,789</u>
Cash and cash equivalents - Ending	<u>\$ 4,525,336</u>
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	<u>\$ -</u>

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

**YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Yu Ming Charter School (the “Charter”) was formed as a nonprofit public benefit corporation on July 7, 2010 for the purpose of operating as a California public school located in Alameda County. The Charter was numbered by the State Board of Education in May 2011 as California Charter No. 1296. As a leader in Mandarin immersion education, Yu Ming Charter School nurtures their inclusive and diverse community to become empowered, engaged, and outstanding global citizens. During the year ended June 30, 2023, Yu Ming Charter School served grades K to 8.

Yu Ming Charter School is authorized to operate as a charter school through Alameda County Office of Education (the “authorizing agency”). In December 2020, the Alameda County Board of Education approved a charter petition renewal for the Charter for a seven-year term beginning July 1, 2021 and expiring on June 30, 2028. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

On May 20, 2023, articles of organization were filed to establish a limited liability corporation under Yu Ming Charter Facilities LLC, whereby Yu Ming Charter School is the sole statutory member of the LLC. As such, the LLC is deemed a disregarded entity and its financial statements are to be consolidated with Yu Ming Charter School; however, there were no account balances or financial activity as of and for the year ended June 30, 2023.

B. Basis of Accounting

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

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016. Yu Ming Charter School reports information regarding its financial position and activities according to two classes of net assets:

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

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

E. Functional Expenses

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

F. Contributions

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

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

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

G. In Lieu of Property Tax Revenue

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

H. Cash and Cash Equivalents

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

I. Investments

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2023, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Yu Ming Charter School has adopted a policy to capitalize asset purchases over \$5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

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

M. Income Taxes

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

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

N. Fair Value Measurements

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

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

**YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021.

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 Charter has determined the impact and has reflected the significant change from this accounting principle within its financial statements for the 2022-23 fiscal year. Refer to Note 6 for additional information regarding the operating leases and the related right-of-use asset and operating lease liability held by the Charter.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2023, consists of cash in banks of \$4,525,336 in noninterest-bearing accounts. As of June 30, 2023, \$4,171,783 of the Yu Ming Charter School's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one or more banks. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Yu Ming Charter School does not have a policy for custodial credit risk for deposits. The FDIC insures up to \$250,000 per depositor per insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, as of June 30, 2023, consists of the following:

Local control funding sources, state aid	\$ 2,280,243
Other state sources	590,391
Federal sources	197,830
In lieu property tax payments	25,171
Other local sources	8,781
Total Accounts Receivable	<u>\$ 3,102,416</u>

YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets, during the year ended June 30, 2023, consists of the following:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Property and equipment				
Site and leasehold improvements	\$ 251,603	\$ 47,857	\$ -	\$ 299,460
Furniture and equipment	44,562	13,591	-	58,153
Total property and equipment	296,165	61,448	-	357,613
Less accumulated depreciation	(279,427)	(34,159)	-	(313,586)
Capital Assets, net	\$ 16,738	\$ 27,289	\$ -	\$ 44,027

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable, as of June 30, 2023, consists of the following:

Due to grantor government	\$ 1,053,625
Other vendor payables	201,886
Salaries and benefits	164,801
Compensated absences	52,382
Credit card liability	38,976
Due to authorizing agency	21,663
Total Accounts Payable	\$ 1,533,333

NOTE 6 – OPERATING LEASES

In July 2017, Yu Ming Charter School entered into a lease agreement with The Roman Catholic Corporation of Oakland for the use of a portion of the premises located at 675 41st Street in Oakland, California. The facilities are utilized by the Charter for its Upper Campus serving students in grades 3 to 8. The lease covers a term beginning July 1, 2017 to July 31, 2022. On June 30, 2022, the lease was extended for a new term beginning August 1, 2022 to July 31, 2027.

In June 2018, the Charter entered into a separate lease agreement with The Roman Catholic Corporation of Oakland for use of a school building located at 1086 Alcatraz Avenue in Oakland, California. The building is utilized by Yu Ming Charter School for its Lower Campus serving students in grades K to 2. The lease covered a term beginning July 1, 2018 and ending June 30, 2022. On June 30, 2022, the lease was extended to June 30, 2023.

On February 1, 2022, the Charter entered into a lease agreement with the Epiphany Lutheran Church to lease facilities at 16211 and 16248 Carolyn Street in San Leandro, California. The lease commences on February 1, 2022 and ends June 30, 2024. The charter paid a \$9,413 security deposit upon the execution of the lease which has been recorded as a deposit.

In January 2022, the Charter entered into a lease agreement with Mobile Modular to lease modular classrooms. The lease commences on February 10, 2022 and ends October 9, 2024. The Charter paid a \$40,800 security deposit upon the execution of the lease which has been recorded as a deposit.

YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 6 – OPERATING LEASES (continued)

At June 30, 2023, the right-of-use asset was \$2,027,270 and the operating lease liability was \$1,989,930. The associated asset and liability are amortized over the remaining terms of the leases as follows:

Fiscal Year Ending June 30,	Operating Lease Liability	Right-of-Use Asset
2024	\$ 720,150	\$ 734,574
2025	434,152	435,832
2026	446,216	433,244
2027	448,440	420,304
2028	37,476	35,025
Subtotal	<u>2,086,434</u>	<u>2,058,979</u>
NPV adjustment	(96,504)	(96,504)
Prepaid rent	-	64,795
Total	<u>\$ 1,989,930</u>	<u>\$ 2,027,270</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue, as of June 30, 2023, consists of \$1,094,001 from State sources. Deferred revenue includes funding that has been received in cash, however, has not yet been earned as of June 30, 2023. Funding conditions are expected to be met and revenue will be recognized in the subsequent fiscal year.

NOTE 8 – NET ASSETS

The Charter did not hold any net assets with donor restrictions at June 30, 2023. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2023, the Charter’s net assets without donor restrictions consists of the following:

Net investment in capital assets	\$ 44,027
Board designations	
Operating reserve for capital projects	2,000,000
Undesignated	<u>3,432,890</u>
Total Net Assets without Donor Restrictions	<u>\$ 5,476,917</u>

The Charter’s fiscal policy recommends a reserve for economic uncertainty equal to three months of average operating costs based on the approved annual budget of the upcoming fiscal year.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The table on the following page reflects the Charter’s financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. Yu Ming Charter School maintains a line of credit (as mentioned in Note 12) which could be drawn upon to ensure financial assets are available as general expenditures and other obligations become due.

YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Financial Assets		
Cash and cash equivalents	\$	4,525,336
Accounts receivable		3,102,416
Prepaid expenses		344,919
Deposits		50,213
Contractual or donor-imposed restrictions		
Cash held for conditional contributions		(1,094,001)
Board designations		
Operating reserve for capital projects		(2,000,000)
Financial Assets available to meet cash needs		<u>(2,000,000)</u>
for expenditures within one year	\$	<u>4,928,883</u>

NOTE 10 – EMPLOYEE RETIREMENT PLANS

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

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2022-23 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2022-23 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2022-23	\$ 573,915	100%
2021-22	\$ 508,410	100%
2020-21	\$ 398,422	100%

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Yu Ming Charter School is estimated at \$289,227. The on-behalf payment amount is computed as the proportionate share of total 2022-23 State on-behalf contributions.

**YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 11 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Yu Ming Charter School in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. Additionally, the Charter did not receive any donated items during the year ended June 30, 2023.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

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

The Charter makes payments to the authorizing agency to provide required services for oversight and monitoring. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees to for oversight amounted to \$70,871 for the fiscal year ending June 30, 2023.

Governmental Funds

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

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately \$3,600,122 as of **June 30, 2022**. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 10 for additional information on employee retirement plans.

Pending or Threatened Litigation

The Charter may become involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2023.

Line of Credit

Yu Ming Charter School obtained a revolving line of credit with First Republic Bank in the amount of \$1,000,000. The Charter grants First Republic Bank a continuing lien and security interest in any and all deposits as security for full and punctual payment. The Charter had no outstanding loan payable under this line of credit as of June 30, 2023.

**YU MING CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 13 – SUBSEQUENT EVENTS

Yu Ming Charter School has evaluated subsequent events for the period from June 30, 2023 through February 28, 2024 the date the financial statements were available to be issued.

As mentioned in Note 1A, the Charter established the Yu Ming Charter Facilities LLC. The purpose of the LLC is to serve as a property holding company to issue debt for financing of a new school facility. In September 2023, the LLC entered into a promissory note for educational facilities not to exceed \$7.1 million. The financing was partially used to purchase the land and building located at 2501 Chestnut Street in Oakland, California. The property was sold for \$5.675 million and closed escrow in October 2023.

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

SUPPLEMENTARY INFORMATION

**YU MING CHARTER SCHOOL
LEA ORGANIZATION STRUCTURE
JUNE 30, 2023**

Yu Ming Charter School, located in Alameda County, was formed as a nonprofit public benefit corporation on July 7, 2010 and numbered by the State Board of Education in August 2011 as California Charter No. 1296. The Charter is authorized to operate as a charter school through the Alameda County Office of Education. During 2022-23, the Yu Ming Charter School served approximately 766 students in grades K to 8.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Reginald Lee	Board Chair	July 1, 2025
Jonathan Schorr	Board Vice Chair	June 17, 2023
Casey Hatton	Board Secretary	August 28, 2023
Yiaway Yeh	Board Treasurer	June 16, 2024
Gary Borden	Board Member	June 26, 2025
Keta Brown	Board Member	October 27, 2024
Jessica Henry	Board Member	April 27, 2025
Alcine Mumby	Board Member	December 12, 2024
Jessica Norman	Board Member	August 26, 2025
Beth Thompson	Board Member	June 26, 2025

ADMINISTRATION

Sue Park
Chief Executive Officer

Crystal Simmons
Director of Student Support

Emily Wood Dahm
Director of Strategy and Operations

Greg Callaham
Principal

See accompanying notes to supplementary information.

**YU MING CHARTER SCHOOL
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Annual Report
	<u>Classroom-Based</u>	
Grade Span		
Regular		
Kindergarten through third	463.35	464.26
Fourth through sixth	182.83	183.18
Seventh through eighth	85.87	86.01
Total Average Daily Attendance - Classroom-Based	<u>732.05</u>	<u>733.45</u>
	<u>Nonclassroom-Based</u>	
Grade Span		
Regular		
Kindergarten through third	9.61	8.89
Total Average Daily Attendance - Nonclassroom-Based	<u>9.61</u>	<u>8.89</u>
Total Average Daily Attendance	<u>741.66</u>	<u>742.34</u>

See accompanying notes to supplementary information.

**YU MING CHARTER SCHOOL
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2022-23 Instructional Minutes</u>	<u>2022-23 Number of Days</u>	<u>Status</u>
Kindergarten	36,000	63,615	185	Complied
Grade 1	50,400	57,860	185	Complied
Grade 2	50,400	57,860	185	Complied
Grade 3	50,400	57,860	185	Complied
Grade 4	54,000	57,860	185	Complied
Grade 5	54,000	57,860	185	Complied
Grade 6	54,000	58,313	185	Complied
Grade 7	54,000	58,313	185	Complied
Grade 8	54,000	58,313	185	Complied

See accompanying notes to supplementary information.

**YU MING CHARTER SCHOOL
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2023**

June 30, 2023, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 5,472,969</u>
Adjustments:	
Increase (decrease) in total net assets:	
Lease expense for implementation of ASC 842	<u>3,948</u>
June 30, 2023, net assets per audited financial statements	<u>\$ 5,476,917</u>

See accompanying notes to supplementary information.

**YU MING CHARTER SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Yu Ming Charter School and whether the Charter complied with the provisions of *Education Code Section 47612.5*.

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

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

To the Board of Directors of
Yu Ming Charter School
Oakland, 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 Yu Ming Charter School (the "Charter") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter'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 Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 Charter'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 Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
February 28, 2024

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

To the Board of Directors of
Yu Ming Charter School
Oakland, California

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

We have audited Yu Ming Charter School'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 Yu Ming Charter School's state program-requirements for the fiscal year ended June 30, 2023.

In our opinion, Yu Ming Charter School 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 Yu Ming Charter School and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Yu Ming Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Yu Ming Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists.

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 judgment made by a reasonable user of the report on compliance about Yu Ming Charter School's compliance with the requirements of the applicable state programs as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Yu Ming Charter School's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Yu Ming Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Yu Ming Charter School's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Yu Ming Charter School’s compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Transitional Kindergarten	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

**We did not perform testing of Nonclassroom Based Instruction/Independent Study because ADA was not material. “Not applicable” is used in the table above to indicate that the Charter 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive style.

San Diego, California
February 28, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**YU MING CHARTER SCHOOL
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

The Charter did not expend more than \$750,000 in federal awards; therefore, a Federal Single Audit under OMB Uniform Grant Guidance is not applicable.

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>

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

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</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

**YU MING CHARTER SCHOOL
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

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

**YU MING CHARTER SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

**YU MING CHARTER SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING 2022-001: Expanded Learning Opportunities Grant (ELO-G) (40000)

Criteria: Pursuant to California Education Code Section 43522, all local educational agencies receiving ELO-G funding were required to adopt an expenditure plan for the apportioned funds by June 1, 2021. Charter Schools were required to submit the approved plan to their chartering authority within five days of adoption pursuant to Education Code Section 43522(e).

Condition: Based on our review of board documentation and subsequent correspondence with Alameda County Office of Education, the Charter's ELO-G plan was board approved on May 27, 2021 and submitted to the Alameda County Office of Education on August 3, 2022.

Effect: The Charter was not in compliance with the Education Code requirement related to submission of the approved ELO-G plan to their charting authority within five days of board approval.

Cause: Administrative oversight.

Questioned Cost: There are no questioned costs associated with this finding.

Repeat Finding: No, this is not a repeat finding.

Recommendation: No corrective action is needed since the plan for these funds has been developed and submitted to Alameda County Office of Education. Under current requirements, there is no ELO-G plan update required for future years.

Corrective Action Plan: Not applicable since the charter developed and submitted the expenditure plan to the Alameda County Office of Education. The expenditure plan relates to one-time grant funds with no future requirements.

Current Status: Implemented.