



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

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

Da Vinci Design (Charter No. 1081)
Da Vinci Science (Charter No. 1060)
Da Vinci Connect (Charter No. 1597)
Da Vinci Communications (Charter No. 1689)

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Da Vinci Schools
El Segundo, California

Report on the Financial Statements

Opinion

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

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

Basis for Opinion

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

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 Da Vinci Schools ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of Da Vinci Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Da Vinci Schools internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 8, 2022

DA VINCI SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current assets

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 8,286,699 |
| Accounts receivable | 6,010,627 |
| Due from affiliate | 251,258 |
| Prepaid expenses | <u>286,966</u> |
| Total current assets | <u>14,835,550</u> |

Noncurrent assets

| | |
|-------------------------|-----------------------------|
| Deposits | 75,051 |
| Capital assets, net | <u>2,980,097</u> |
| Total noncurrent assets | <u>3,055,148</u> |
| Total Assets | <u>\$ 17,890,698</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|-------------------|------------------|
| Accounts payable | \$ 2,369,993 |
| Deferred revenue | <u>1,647,574</u> |
| Total liabilities | <u>4,017,567</u> |

Net assets

| | |
|---|-----------------------------|
| Without donor restrictions | 12,615,851 |
| With donor restrictions | <u>1,257,280</u> |
| Total net assets | <u>13,873,131</u> |
| Total Liabilities and Net Assets | <u>\$ 17,890,698</u> |

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

**DA VINCI SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| SUPPORT AND REVENUES | | | |
| Federal and state support and revenues | | | |
| Local control funding formula, state aid | \$ 16,130,493 | \$ - | \$ 16,130,493 |
| Federal revenues | 3,873,639 | - | 3,873,639 |
| Other state revenues | 6,477,398 | 757,760 | 7,235,158 |
| Total federal and state support and revenues | <u>26,481,530</u> | <u>757,760</u> | <u>27,239,290</u> |
| Local support and revenues | | | |
| Payments in lieu of property taxes | 6,414,392 | - | 6,414,392 |
| Grants and donations | 841,945 | 64,700 | 906,645 |
| Charter management fees | 239,831 | - | 239,831 |
| Investment income, net | 8,181 | - | 8,181 |
| Other local revenues | 548,494 | - | 548,494 |
| Total local support and revenues | <u>8,052,843</u> | <u>64,700</u> | <u>8,117,543</u> |
| Donor restrictions satisfied | 30,604 | (30,604) | - |
| Total Support and Revenues | <u>34,564,977</u> | <u>791,856</u> | <u>35,356,833</u> |
| EXPENSES | | | |
| Program services | | | |
| Charter school operations | 31,216,759 | - | 31,216,759 |
| Supporting services | | | |
| Management and general | 2,775,933 | - | 2,775,933 |
| Total Expenses | <u>33,992,692</u> | <u>-</u> | <u>33,992,692</u> |
| CHANGE IN NET ASSETS | 572,285 | 791,856 | 1,364,141 |
| Net Assets - Beginning | <u>12,043,566</u> | <u>465,424</u> | <u>12,508,990</u> |
| Net Assets - Ending | <u>\$ 12,615,851</u> | <u>\$ 1,257,280</u> | <u>\$ 13,873,131</u> |

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

DA VINCI SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

| | Program Services | Supporting Services | |
|------------------------------|------------------------------|---------------------------|----------------------|
| | Charter School Operations | Management and General | Total |
| EXPENSES | | | |
| Personnel expenses | | | |
| Certificated salaries | \$ 12,992,490 | \$ 183,945 | \$ 13,176,435 |
| Non-certificated salaries | 2,553,276 | 1,611,076 | 4,164,352 |
| Pension contributions | 4,442,419 | 150,427 | 4,592,846 |
| Payroll taxes | 651,962 | 64,234 | 716,196 |
| Other employee benefits | 1,554,940 | 185,812 | 1,740,752 |
| Total personnel expenses | <u>22,195,087</u> | <u>2,195,494</u> | <u>24,390,581</u> |
| Non-personnel expenses | | | |
| Books and supplies | 3,273,609 | 114,328 | 3,387,937 |
| Insurance | 368,832 | 42,192 | 411,024 |
| Facilities | 1,368,582 | 164,638 | 1,533,220 |
| Professional services | 3,288,071 | 187,281 | 3,475,352 |
| Interest expense | 5,373 | 2,319 | 7,692 |
| Depreciation | 217,831 | 22,997 | 240,828 |
| Authorizer oversight fees | 209,716 | 16,734 | 226,450 |
| Other operating expenses | 289,658 | 29,950 | 319,608 |
| Total non-personnel expenses | <u>9,021,672</u> | <u>580,439</u> | <u>9,602,111</u> |
| Total Expenses | <u>\$ 31,216,759</u> | <u>\$ 2,775,933</u> | <u>\$ 33,992,692</u> |

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

DA VINCI SCHOOLS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

| | |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 1,364,141 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | |
| Depreciation | 240,828 |
| (Increase) decrease in operating assets | |
| Accounts receivable | 1,980,795 |
| Due from affiliate | 263,322 |
| Prepaid expenses | (216,303) |
| Deposits | (69,301) |
| Increase (decrease) in operating liabilities | |
| Accounts payable | 799,521 |
| Deferred revenue | (238,684) |
| Net cash provided by (used in) operating activities | <u>4,124,319</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of capital assets | <u>(1,032,140)</u> |
| Net cash provided by (used in) investing activities | <u>(1,032,140)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,092,179 |
| Cash and cash equivalents - Beginning | <u>5,194,520</u> |
| Cash and cash equivalents - Ending | <u>\$ 8,286,699</u> |
| SUPPLEMENTAL DISCLOSURE | |
| Cash paid for interest | <u>\$ 7,692</u> |

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

**DA VINCI SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Da Vinci Schools (the “Organization”), located in Los Angeles County, was formed as a nonprofit public benefit corporation in the State of California on September 10, 2008 under the name Wiseburn 21st Century Charter Schools. In March 2013, the Organization changed its name and began operating as Da Vinci Schools. The main purpose of the Organization is to manage public charter schools: Da Vinci Design, Da Vinci Science, Da Vinci Connect, and Da Vinci Communications; known collectively as the Da Vinci Schools or the “Charters”.

Da Vinci Science (formally called STEM Project Center) was numbered by the State Board of Education on January 8, 2009 under California Charter No. 1060. Da Vinci Design was numbered on May 7, 2009 under California Charter No. 1081. Classes began in August 2009 for Da Vinci Science and Da Vinci Design. Da Vinci Connect, (formally Da Vinci Innovation Academy), began its first year of operation in 2013-14 after being numbered on September 4, 2013 under California Charter No. 1597. In 2014-15, Da Vinci Communications began operations following its numbering on September 3, 2014 as California Charter No. 1689.

Wiseburn Unified School District (the “authorizing agency” or the “District”) is the authorizing agency for all four (4) active charter schools operated by the Organization. The Charters are authorized to instruct grades K-12. Da Vinci Science, Da Vinci Design, and Da Vinci Communications currently serve students in grades 9-12 and Da Vinci Connect offers nonclassroom-based instruction to grades K-12. Current charter petitions held with the District for each of the charter schools cover a five-year term ending June 30, 2023. Due to AB 130, the current charter petition end date for each charter school is extended to June 30, 2025. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

The mission of Da Vinci Schools is to provide students with rigorous and relevant academic and workplace skills, preparing its graduates for rewarding lives in our increasingly technological society. The specific goals of the Charters are to successfully integrate technical and academic education into a school that prepares students for post-secondary education and for leadership in the high technology industry; to increase the number of underrepresented students in math and engineering who succeed in high school and post-secondary education and who become productive members and leaders in the South Bay and Los Angeles area high technology industry; and to provide all of the Charters’ students with an extraordinary education that prepares them to be thoughtful, engaging citizens in our increasingly technological society.

B. Basis of Accounting

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

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Da Vinci Schools is required to report 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 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial Statement Presentation (continued)

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 part of its operation of public charter schools, the Organization 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 only used to the extent that internal accounting for multiple charter school or other program operations is necessary and is not used for external financial statement presentation.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents

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

H. Investments

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

I. Receivables and Allowances

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

J. Capital Assets

Da Vinci Schools 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.

K. 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.

L. 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 authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Da Vinci Schools. Revenues are recognized by the Organization when earned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Income Taxes

Da Vinci Schools is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a charitable corporation organized and operated primarily as an educational institution, the Organization is not required to register with the California Attorney General as a charity.

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

N. Fair Value Measurements

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

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

O. New Accounting Pronouncement

Leases

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2022, consists of cash in banks of \$8,286,699 held in interest-bearing accounts. As of June 30, 2022, \$8,358,024 of the Organization's bank balance was held in an Insured Cash Sweep (ICS) account to mitigate any impact of custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. The FDIC insures up to \$250,000 per depositor per insured bank.

DA VINCI SCHOOLS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 3 – RECEIVABLES

Accounts Receivable

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

| | |
|--|----------------------------|
| Local control funding sources, state aid | \$ 2,553,372 |
| Federal sources | 1,943,582 |
| Other state sources | 513,631 |
| In lieu property tax payments | 404,456 |
| Other local sources | 595,586 |
| Total Accounts Receivable | <u>\$ 6,010,627</u> |

Due from Affiliate

Amounts due from affiliate as of June 30, 2022, consists of \$251,258 due from Da Vinci Schools: LA County. Refer to Note 9 for additional information about the amount due from affiliate.

NOTE 4 – CAPITAL ASSETS

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

| | Balance July 1, 2021 | Additions | Disposals | Balance June 30, 2022 |
|-------------------------------|----------------------------|--------------------------|--------------------|----------------------------|
| Property and equipment | | | | |
| Building improvements | \$ 1,569,981 | \$ 690,418 | \$ - | \$ 2,260,399 |
| Furniture and equipment | 1,304,853 | 160,016 | - | 1,464,869 |
| Construction in progress | 19,865 | 181,706 | - | 201,571 |
| Total property and equipment | <u>2,894,699</u> | <u>1,032,140</u> | - | <u>3,926,839</u> |
| Less accumulated depreciation | <u>(705,914)</u> | <u>(240,828)</u> | - | <u>(946,742)</u> |
| Capital Assets, net | <u>\$ 2,188,785</u> | <u>\$ 791,312</u> | <u>\$ -</u> | <u>\$ 2,980,097</u> |

NOTE 5 – ACCOUNTS PAYABLE

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

| | |
|-------------------------------|----------------------------|
| Due to grantor government | \$ 927,360 |
| Vendor payables | 648,157 |
| Due to authorizing agency | 398,267 |
| Salaries and benefits | 338,415 |
| Credit card liability | 57,794 |
| Total Accounts Payable | <u>\$ 2,369,993</u> |

DA VINCI SCHOOLS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 6 – DEFERRED REVENUE

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

| | |
|-------------------------------|----------------------------|
| Federal sources | \$ 311,086 |
| State sources | 1,336,488 |
| Total Deferred Revenue | <u>\$ 1,647,574</u> |

NOTE 7 – NET ASSETS

Net Assets with Donor Restrictions

As of June 30, 2022, the Organization’s net assets with donor restrictions consist of the following:

| | |
|--|----------------------------|
| State: Career Tech Ed Facilities Program (CTEFP) | \$ 1,178,431 |
| Local: Northrup STEM/Cal Poly program | 78,849 |
| Total Net Assets with Donor Restrictions | <u>\$ 1,257,280</u> |

Net Assets without Donor Restrictions

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Organization. At June 30, 2022, the Organization’s net assets without donor restrictions consist of the following:

| | |
|--|-----------------------------|
| Net investment in capital assets | \$ 2,980,097 |
| Board designations | |
| Deferred maintenance | 546,725 |
| Soccer field | 1,500,000 |
| Economic uncertainty | 6,203,435 |
| Total board designations | <u>8,250,160</u> |
| Undesignated | <u>1,385,594</u> |
| Total Net Assets without Donor Restrictions | <u>\$ 12,615,851</u> |

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

DA VINCI SCHOOLS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

| | |
|---|----------------------------|
| Financial Assets | |
| Cash and cash equivalents | \$ 8,286,699 |
| Accounts receivable | 6,010,627 |
| Prepaid expenses | 286,966 |
| Total Financial Assets, excluding noncurrent | <u>\$ 14,584,292</u> |
| Contractual or donor-imposed restrictions | |
| Cash restricted by others for specific uses | (1,257,280) |
| Board designations | |
| Deferred maintenance reserve | (546,725) |
| Reserve for soccer field | (1,500,000) |
| Reserve for economic uncertainty | <u>(6,203,435)</u> |
| Financial Assets available to meet cash needs for expenditures within one year | <u>\$ 5,076,852</u> |

NOTE 9 – RELATED PARTY TRANSACTIONS

Inter-Agency Activity

Receivables and payables due between the separate operating units of the Organization are classified as due to/due from related entities within the Statement of Financial Position by Charter. Intercompany transactions and balances are eliminated in the financial statements by charter to better reflect the true activities of Da Vinci Schools as a whole.

Affiliate Organizations

Supporting Organization

In January 2018, management and the Organization’s board of trustees elected to establish the Da Vinci Schools Fund (the “Fund”). The Fund was incorporated as a domestic nonprofit for the purpose of providing assistance and support to Da Vinci Schools and its affiliated institutions and organizations. The Fund is governed by a separate governing board independent of the Organization with the exception of two (2) common board members. During the year ended June 30, 2022, , there were no transactions between the Fund and the Organization.

Da Vinci Schools: LA County

In August 2018, management of the Organization established Da Vinci Schools: L.A. County for the purposes of operating a new public charter school, Da Vinci Rise High (Charter No. 2017) authorized by the Los Angeles County Office of Education. The school serves the same student population that was previously enrolled in RISE High, a prior LLC established by the Organization that has since dissolved. The affiliate organization is governed by a separate board of directors independent of the Organization’s board, except for one common board member.

The affiliate and the Organization hold a memorandum of understanding for shared personnel, including management. During the fiscal year ended June 30, 2022, the Organization earned \$239,831 in management fee revenue for providing financial and administrative support to this affiliate. At June 30, 2022, Da Vinci Schools: LA County owed \$251,258 to the Organization for personnel costs as well as other costs paid by Da Vinci Schools on behalf of the affiliate organization. This amount is within due to affiliate on the statement of financial position and disclosed in Note 3.

**DA VINCI SCHOOLS
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 9 – RELATED PARTY TRANSACTIONS (continued)

Authorizing Agency

The Organization made payments to the Wiseburn Unified School District to provide required services for oversight. Fees associated with oversight consist of one percent of revenue from local control funding formula sources. The Organization also holds a facility use agreement with the District (see Note 12). Total fees for oversight and facility usage amounted to \$226,450 for the fiscal year ending June 30, 2022.

NOTE 10 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Da Vinci Schools in an effort to advance the Charters’ programs and objectives. These services have not been recorded in the Organization’s financial statements because they do not meet the criteria required by generally accepted accounting principles. During the fiscal year ending June 30, 2022, the Organization did not receive any donated items.

NOTE 11 – 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 Charters have made such election for its certificated personnel. Certificated employees are members of the California State Teachers’ Retirement System (CalSTRS). The Organization also offers social security as an alternative plan to all employees who may not qualify for CalSTRS retirement plan.

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

| | <u>Contribution</u> | <u>Percent of Required Contribution</u> |
|---------|---------------------|---|
| 2021-22 | \$ 2,121,269 | 100% |
| 2020-21 | \$ 1,843,834 | 100% |
| 2019-20 | \$ 1,673,507 | 100% |

DA VINCI SCHOOLS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

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

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 Da Vinci Schools is estimated at \$2,471,577. The on-behalf payment amount is computed as the proportionate share of total 2020-21 State on-behalf contributions.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, the schools operated by Da Vinci Schools are approved to operate as a public charter schools through authorization by the Wiseburn Unified School District. As such, the Organization's charter schools are 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.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the new term expiration date for all of the Charters' petitions is June 30, 2025.

Governmental Funds

Da Vinci Schools 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 Charters' voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charters to make payments to the plan, which would approximate the Charters' proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charters' share of withdrawal liability is approximately \$9,270,453 as of June 30, 2021. The Charters do not currently intend to withdraw from CalSTRS. Refer to Note 11 for additional information on employee retirement plans.

Joint Powers Agency (JPA)

During the year ended June 30, 2022, Da Vinci Schools participated in a joint venture with the CharterSafe. CharterSafe arranges for insurance coverage related to property, general liability, automobile, worker's compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between the Organization and the JPA is such that the JPA is not financially inter-related to the Organization for financial reporting purposes. There were no significant outstanding insurance claims during the fiscal year.

Pending or Threatened Litigation

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

DA VINCI SCHOOLS
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Facilities Use Agreement

The Organization has full and exclusive use of the District-owned facility located at 12501 Isis Avenue in Hawthorne, California, for operation of the Da Vinci Connect charter school. The facility is utilized by Da Vinci Connect for instructional services in order to meet the educational goals established by the Organization. See Note 9 for total payments to the District as the authorizing agency.

NOTE 13 – SUBSEQUENT EVENTS

Da Vinci Schools has evaluated subsequent events for the period from June 30, 2022 through December 8, 2022, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

DA VINCI SCHOOLS
LEA ORGANIZATION STRUCTURE
JUNE 30, 2022

During 2021-22, Da Vinci Schools, a California non-profit public benefit corporation, operated four (4) public charter schools (the “Charters”). The Charters are located in Los Angeles County and are all sponsored by the Wiseburn Unified School District, the authorizing agency. Information on each of the Charters is as follows:

| <u>Charter School</u> | <u>Classes Began</u> | <u>Grades Served</u> | <u>Charter Number</u> |
|-------------------------|----------------------|----------------------|-----------------------|
| Da Vinci Design | 8/18/2009 | 9 - 12 | 1081 |
| Da Vinci Science | 8/17/2009 | 9 - 12 | 1060 |
| Da Vinci Connect | 8/19/2013 | K - 12 | 1597 |
| Da Vinci Communications | 8/12/2014 | 9 - 12 | 1689 |

The Charters are governed by the following Board of Trustees of the Organization and managed by the following administration as of June 30, 2022:

BOARD OF TRUSTEES

| <u>Name</u> | <u>Office</u> | <u>Term Expiration</u> |
|-----------------------|----------------------------|------------------------|
| Dr. Donald Brann | President | September 9, 2023 |
| Ms. Jennifer Morgan* | Vice President & Secretary | June 25, 2022 |
| Mr. Brian Meath | Treasurer | June 24, 2025 |
| Mr. Derrick Boston | Trustee | September 9, 2023 |
| Dr. Jo Webber | Trustee | July 16, 2024 |
| Mr. Raynaldo Santiago | Trustee | February 1, 2024 |
| Mr. Raul Ochoa | Trustee | January 23, 2024 |

ADMINISTRATION

Dr. Matthew Wunder
Chief Executive Officer

Mr. Vicente Bravo
Chief Administrative Officer

Dr. Jennifer Hawn
Chief Operating Officer

Mr. Michael Amato, CPA
Chief Financial Officer

*Ms. Jennifer Morgan resigned as of June 25, 2022

DA VINCI SCHOOLS
STATEMENT OF FINANCIAL POSITION BY CHARTER
JUNE 30, 2022

| <i>California Public Charter School</i> | <u>No. 1081</u> | <u>No. 1060</u> | <u>No. 1597</u> | <u>No. 1689</u> | | | |
|---|---------------------|---------------------|---------------------|----------------------------|----------------------------------|------------------------------|-----------------------|
| | Da Vinci Design | Da Vinci Science | Da Vinci Connect | Da Vinci Communications | Charter Mgmt & Other Programs | Intercompany Eliminations | Organization Total |
| ASSETS | | | | | | | |
| Current assets | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ 8,286,699 | \$ - | \$ 8,286,699 |
| Accounts receivable | 1,686,344 | 1,678,092 | 1,462,195 | 1,047,370 | 136,626 | - | 6,010,627 |
| Due from affiliate | - | - | - | - | 251,258 | - | 251,258 |
| Intercompany receivable | 5,010,233 | 3,426,476 | - | 1,084,347 | 1,558,713 | (11,079,769) | - |
| Prepaid expenses | 27,124 | 38,574 | 115,268 | 36,887 | 69,113 | - | 286,966 |
| Total current assets | 6,723,701 | 5,143,142 | 1,577,463 | 2,168,604 | 10,302,409 | (11,079,769) | 14,835,550 |
| Noncurrent assets | | | | | | | |
| Deposits | - | - | 75,051 | - | - | - | 75,051 |
| Capital assets, net | 220,321 | 262,520 | 1,751,023 | 495,658 | 250,575 | - | 2,980,097 |
| Total noncurrent assets | 220,321 | 262,520 | 1,826,074 | 495,658 | 250,575 | - | 3,055,148 |
| Total Assets | \$ 6,944,022 | \$ 5,405,662 | \$ 3,403,537 | \$ 2,664,262 | \$ 10,552,984 | \$ (11,079,769) | \$ 17,890,698 |
| LIABILITIES AND NET ASSETS | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 466,163 | \$ 478,187 | \$ 116,838 | \$ 25,619 | \$ 1,283,186 | \$ - | \$ 2,369,993 |
| Intercompany payable | - | - | 1,809,971 | - | 9,269,798 | (11,079,769) | - |
| Deferred revenue | 554,719 | 476,806 | 203,354 | 412,695 | - | - | 1,647,574 |
| Total liabilities | 1,020,882 | 954,993 | 2,130,163 | 438,314 | 10,552,984 | (11,079,769) | 4,017,567 |
| Net assets | | | | | | | |
| Without donor restrictions | 5,679,495 | 3,714,048 | 1,273,374 | 1,948,934 | - | - | 12,615,851 |
| With donor restrictions | 243,645 | 736,621 | - | 277,014 | - | - | 1,257,280 |
| Total net assets | 5,923,140 | 4,450,669 | 1,273,374 | 2,225,948 | - | - | 13,873,131 |
| Total Liabilities and Net Assets | \$ 6,944,022 | \$ 5,405,662 | \$ 3,403,537 | \$ 2,664,262 | \$ 10,552,984 | \$ (11,079,769) | \$ 17,890,698 |

See accompanying notes to the supplementary information.

DA VINCI SCHOOLS
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2022

| <i>California Public Charter School</i> | <i>No. 1081</i> | <i>No. 1060</i> | <i>No. 1597</i> | <i>No. 1689</i> | | | |
|---|---------------------|---------------------|---------------------|---------------------|------------------|--------------------|----------------------|
| | Da Vinci | Da Vinci | Da Vinci | Da Vinci | Charter Mgmt | Intercompany | Organization |
| | Design | Science | Connect | Communications | & Other Programs | Eliminations | Total |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | | | | | | |
| SUPPORT AND REVENUES | | | | | | | |
| Federal and state support and revenues | | | | | | | |
| Local control funding formula, state aid | \$ 4,023,622 | \$ 4,104,674 | \$ 4,198,128 | \$ 3,804,069 | \$ - | \$ - | \$16,130,493 |
| Federal revenues | 1,017,155 | 979,079 | 722,982 | 1,154,423 | - | - | 3,873,639 |
| Other state revenues | 1,752,293 | 1,596,635 | 1,309,807 | 1,595,323 | 223,340 | - | 6,477,398 |
| Total federal and state support and revenues | 6,793,070 | 6,680,388 | 6,230,917 | 6,553,815 | 223,340 | - | 26,481,530 |
| Local support and revenues | | | | | | | |
| Payments in lieu of property taxes | 1,502,711 | 1,590,603 | 1,892,246 | 1,428,832 | - | - | 6,414,392 |
| Grants and donations | 15,158 | 183,449 | 489,353 | 43,981 | 110,004 | - | 841,945 |
| Charter management fees | - | - | - | - | 3,776,438 | (3,536,607) | 239,831 |
| Investment income, net | 2,046 | 2,045 | 2,045 | 2,045 | - | - | 8,181 |
| Other local revenues | 94,258 | 136,953 | 37,220 | 96,892 | 183,171 | - | 548,494 |
| Total local support and revenues | 1,614,173 | 1,913,050 | 2,420,864 | 1,571,750 | 4,069,613 | (3,536,607) | 8,052,843 |
| Donor restrictions satisfied | - | 30,604 | - | - | - | - | 30,604 |
| Total Support and Revenues | 8,407,243 | 8,624,042 | 8,651,781 | 8,125,565 | 4,292,953 | (3,536,607) | 34,564,977 |
| EXPENSES | | | | | | | |
| Program services | | | | | | | |
| Charter school operations | 7,323,566 | 7,887,736 | 8,429,767 | 7,764,840 | 3,086,109 | (3,275,259) | 31,216,759 |
| Supporting services | | | | | | | |
| Management and general | 384,798 | 422,144 | 386,090 | 637,405 | 1,206,844 | (261,348) | 2,775,933 |
| Total Expenses | 7,708,364 | 8,309,880 | 8,815,857 | 8,402,245 | 4,292,953 | (3,536,607) | 33,992,692 |
| Increase (decrease) in Net Assets without Donor Restrictions | 698,879 | 314,162 | (164,076) | (276,680) | - | - | 572,285 |
| NET ASSETS WITH DONOR RESTRICTIONS | | | | | | | |
| State restricted revenues | - | 495,746 | - | 262,014 | - | - | 757,760 |
| Grants and donations | - | 49,700 | - | 15,000 | - | - | 64,700 |
| Donor restrictions released | - | (30,604) | - | - | - | - | (30,604) |
| Total Restricted Support and Revenues | - | 514,842 | - | 277,014 | - | - | 791,856 |
| Increase (decrease) in Net Assets with Donor Restrictions | - | 514,842 | - | 277,014 | - | - | 791,856 |
| CHANGE IN NET ASSETS | 698,879 | 829,004 | (164,076) | 334 | - | - | 1,364,141 |
| Net Assets - Beginning | 5,224,261 | 3,621,665 | 1,437,450 | 2,225,614 | - | - | 12,508,990 |
| Net Assets - Ending | \$ 5,923,140 | \$ 4,450,669 | \$ 1,273,374 | \$ 2,225,948 | \$ - | \$ - | \$ 13,873,131 |

See accompanying notes to the supplementary information.

**DA VINCI SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster | AL Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|--------------|--|-------------------------|
| U. S. DEPARTMENT OF EDUCATION: | | | |
| <i>Passed through California Department of Education:</i> | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | \$ 265,517 |
| Title II, Part A, Supporting Effective Instruction Local Grants | 84.367 | 14341 | 50,287 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 40,000 |
| COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1] : | | | |
| Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425 | 15547 | 880,280 |
| Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve | 84.425 | 15618 | 215,524 |
| Expanded Learning Opportunities (ELO) Grant GEER II | 84.425 | 15619 | 49,464 |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs | 84.425 | 15620 | 104,455 |
| Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss | 84.425 | 15621 | 120,614 |
| Subtotal Education Stabilization Fund Discretionary Grants | | | 1,370,337 |
| <i>Passed through El Dorado Charter SELPA:</i> | | | |
| Special Education Cluster | | | |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 311,983 |
| IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611 | 84.027A | 15197 | 183,122 |
| Subtotal Special Education Cluster | | | 495,105 |
| Total U. S. Department of Education | | | 2,221,246 |
| U. S. DEPARTMENT OF AGRICULTURE: | | | |
| <i>Passed through California Department of Education:</i> | | | |
| COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO: | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program - Basic | 10.553 | 13525 | 45,032 |
| School Breakfast Program - Needy | 10.553 | 13526 | 805 |
| National School Lunch Program | 10.555 | 13391 | 697,124 |
| Subtotal Child Nutrition Cluster | | | 742,961 |
| Pandemic EBT Local Administrative Grant | 10.649 | 15644 | 2,456 |
| Total U. S. Department of Agriculture | | | 745,417 |
| U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | |
| <i>Passed through California Department of Education:</i> | | | |
| Epidemiology and Laboratory Capacity (ELC) Reopening Schools Grant | 93.323 | * | 311,280 |
| Total U. S. Department of Health & Human Services | | | 311,280 |
| FEDERAL COMMUNICATIONS COMMISSION: | | | |
| <i>Directly funded:</i> | | | |
| Emergency Connectivity Fund Program | 32.009 | * | 595,696 |
| Total U. S. Department of the Treasury | | | 595,696 |
| Total Federal Expenditures | | | \$ 3,873,639 |

[1] - Major Program

* - Pass-Through Entity Identifying Number not available or not applicable

**DA VINCI SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

| | Second Period Report | Annual Report |
|---|-------------------------|---------------|
| Da Vinci Design (Charter No. 1081) | | |
| | Classroom-Based | |
| Grade Span | | |
| Ninth through twelfth | 504.05 | 502.97 |
| Total Average Daily Attendance | <u>504.05</u> | <u>502.97</u> |
| | Nonclassroom-Based | |
| Grade Span | | |
| Ninth through twelfth | 1.00 | - |
| Total Average Daily Attendance | <u>1.00</u> | <u>-</u> |
| Da Vinci Science (Charter No. 1060) | | |
| | Classroom-Based | |
| Grade Span | | |
| Ninth through twelfth | 534.32 | 531.50 |
| Total Average Daily Attendance | <u>534.32</u> | <u>531.50</u> |
| | Nonclassroom-Based | |
| Grade Span | | |
| Ninth through twelfth | 0.27 | - |
| Total Average Daily Attendance | <u>0.27</u> | <u>-</u> |
| Da Vinci Communications (Charter No. 1689) | | |
| | Classroom-Based | |
| Grade Span | | |
| Ninth through twelfth | 478.81 | 481.80 |
| Total Average Daily Attendance | <u>478.81</u> | <u>481.80</u> |
| | Nonclassroom-Based | |
| Grade Span | | |
| Ninth through twelfth | 1.41 | - |
| Total Average Daily Attendance | <u>1.41</u> | <u>-</u> |
| Da Vinci Connect (Charter No. 1597) | | |
| | Nonclassroom-Based | |
| Grade Span | | |
| Kindergarten through third | 183.90 | 183.94 |
| Fourth through sixth | 129.02 | 129.67 |
| Seventh through eighth | 108.59 | 107.88 |
| Ninth through twelfth | 172.85 | 210.80 |
| Total Average Daily Attendance | <u>594.36</u> | <u>632.29</u> |

Da Vinci Connect had no Classroom-Based ADA in 2021-22.

**DA VINCI SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

| Charter School / Grade Span | Minutes Requirement | 2021-22 Instructional Minutes | 2021-22 Number of Days | Status |
|--|--------------------------------|--|---------------------------------------|---------------|
| Da Vinci Design (Charter No. 1081) Grades 9 through 12 | 64,800 | 67,380 | 175 | Complied |
| Da Vinci Science (Charter No. 1060) Grades 9 through 12 | 64,800 | 66,950 | 175 | Complied |
| Da Vinci Communications (Charter No. 1689) Grades 9 through 12 | 64,800 | 67,385 | 175 | Complied |
| Da Vinci Connect (Charter No. 1597) | | | | |
| Kindergarten | | | 175 | Complied |
| Grades 1 through 3 | | | 175 | Complied |
| Grades 4 through 8 | | | 175 | Complied |
| Grades 9 through 12 | | | 175 | Complied |

See accompanying notes to the supplementary information.

**DA VINCI SCHOOLS
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL
STATEMENTS
JUNE 30, 2022**

There were no adjustments to reconcile fund balance reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets per the audited financial statements for the year end ended June 30, 2022.

| <u>Charter School</u> | <u>Charter Number</u> |
|-------------------------|---------------------------|
| Da Vinci Design | 1081 |
| Da Vinci Science | 1060 |
| Da Vinci Connect | 1597 |
| Da Vinci Communications | 1689 |

**DA VINCI SCHOOLS
NOTES TO THE SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agencies (LEAs or charter schools), including the charter schools' authorizing agency, grades served, members of the governing body, and members of the administration.

B. Financial Statements by Charter

The financial statements by charter, which include the statements of financial position and activities by charter provide information supporting the amounts for each public charter school and other programs under the Organization. The statements include financial information for each California public charter schools operated under Da Vinci Schools.

C. Schedule of Expenditures of Federal Awards

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

D. 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.

E. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered per grade level by the Charters and whether each charter school complied with the provisions of *Education Code Section 47612.5*.

F. 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 (Unaudited Actuals) to net assets on the audited financial statements for each charter school shown in the financial statements by charter.

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
Da Vinci Schools
El Segundo, 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 Da Vinci Schools (the "Organization") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated December 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 8, 2022

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

To the Board of Directors of
Da Vinci Schools
El Segundo, California

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

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Da Vinci Schools federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Da Vinci Schools compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Da Vinci Schools internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Da Vinci Schools internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Report on Internal Control Over Compliance (continued)

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

Christy White, Inc.

San Diego, California
December 8, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

To the Board of Directors of
Da Vinci Schools
El Segundo, California

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

We have audited Da Vinci Schools compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Da Vinci Schools state programs for the fiscal year ended June 30, 2022, as identified below. Reference to Da Vinci Schools within this letter is inclusive of Da Vinci Design (No. 1081), Da Vinci Science (No. 1060), Da Vinci Connect (No. 1597), and Da Vinci Communications (No. 1689).

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

Basis for Opinion on State Compliance

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

We are required to be independent of Da Vinci Schools 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 Da Vinci Schools 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 Da Vinci Schools 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 Da Vinci Schools compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Da Vinci Schools compliance with the requirements of the applicable state programs as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Da Vinci Schools compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Da Vinci Schools 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 Da Vinci Schools internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Da Vinci Schools compliance with the state laws and regulations to the following items:

| <i>California Public Charter School</i> | <u>No. 1060</u> | <u>No. 1081</u> | <u>No. 1689</u> | <u>No. 1597</u> |
|--|-----------------------------|---------------------|----------------------------|---------------------|
| <u>Description</u> | Da Vinci Design | Da Vinci Science | Da Vinci Communications | Da Vinci Connect |
| | Procedures Performed | | | |
| School Districts, County Offices of Education and Charter Schools | | | | |
| California Clean Energy Jobs Act | Yes | Yes | Not applicable | Not applicable |
| After/Before School Education and Safety Program | Not applicable | Not applicable | Not applicable | Not applicable |
| Proper Expenditure of Education Protection Account Funds | Yes | Yes | Yes | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes | Yes | Yes | Yes |
| Local Control and Accountability Plan | Yes | Yes | Yes | Yes |
| Independent Study-Course Based | Not applicable | Not applicable | Not applicable | Not applicable |
| Immunizations | Yes | Yes | Yes | Yes |
| Educator Effectiveness | Yes | Yes | Yes | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes | Yes | Yes | Yes |
| Career Technical Education Incentive Grant | Yes | Not applicable | Yes | Not applicable |
| In Person Instruction Grant | Yes | Yes | Yes | Not applicable |
| Charter Schools | | | | |
| Attendance | Yes | Yes | Yes | Yes |
| Mode of Instruction | Yes | Yes | Yes | Not applicable |
| Nonclassroom-Based Instruction/Independent Study | No* | No* | No* | Yes |
| Determination of Funding for Nonclassroom-Based Instruction | Not applicable | Not applicable | Not applicable | Yes |
| Annual Instructional Minutes – Classroom Based | Yes | Yes | Yes | Not applicable |
| Charter School Facility Grant Program | Not applicable | Not applicable | Not applicable | Not applicable |

**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 school either did not receive program funding or did not otherwise operate the program during the fiscal year.

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

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." in a cursive script.

San Diego, California
December 8, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**DA VINCI SCHOOLS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

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

Federal Awards

| | |
|---|----------------------|
| Internal control over major program: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified? | <u>None Reported</u> |
| Type of auditors' report issued: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)? | <u>No</u> |
| Identification of major programs: | |
| <u>AL Number(s)</u> <u>Name of Federal Program or Cluster</u> | |
| 84.425 Education Stabilization Fund Discretionary Grants | |

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

State Awards

| | |
|--|----------------------|
| Internal control over state programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u>None Reported</u> |
| Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ? | <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 |

**DA VINCI SCHOOLS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

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

**DA VINCI SCHOOLS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

**DA VINCI SCHOOLS
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

**DA VINCI SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

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