

JOHN MUIR CHARTER SCHOOLS

FINANCIAL STATEMENTS

June 30, 2020

JOHN MUIR CHARTER SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020
(Continued)

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JOHN MUIR CHARTER SCHOOLS
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
John Muir Charter Schools
Grass Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of John Muir Charter Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise John Muir Charter Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the John Muir Charter Schools, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 11 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of the Charter School's Proportionate Share of the Net Pension Liability, and the Schedule of the Charter School's Contributions on pages 36 to 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the John Muir Charter Schools' basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

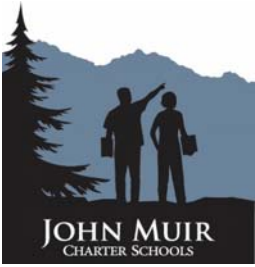
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 on our consideration of John Muir Charter 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 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 John Muir Charter Schools' 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 John Muir Charter Schools' internal control over financial reporting and compliance.



Crowe LLP

Sacramento, California
December 23, 2020



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MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

INTRODUCTION

Nevada County Superintendent of Schools (NCSOS) approved John Muir Charter Schools' Charter in 1999 and renewed it in 2004, 2009, 2014 and 2019. John Muir Charter Schools is a non-profit 501(c)(3) public-benefit corporation and is governed by a five-member Board of Directors. The Charter School provides high school education services exclusively to the California Conservation Corps, Local Conservation Corps, Workforce Investment and Opportunity Act funded programs, and YouthBuild programs. These state, local, and federal programs serve students between the ages of 16 and 24. The programs combine work experience, life-skills development, and our high school program. During 2019-20, the Charter School served 877 different students at 36 sites, accounting for average daily attendance (ADA) of 474.27.

John Muir Charter Schools (JMCS) remains fiscally sound and continues to effectively use its resources to improve its academic programs. This document focuses on how JMCS maintains its sound fiscal position and how it employs its resources to ensure the best education possible for its students. Specifically, the document:

- Discusses the content and changes to the financial statements
- Describe the charter school's fiscal processes
- Summarizes enrollment trends
- Analyzes resource allocations

*Serving California Conservation Corps, Local Conservation Corps, YouthBuild, and
Workforce Innovation and Opportunity Programs*

CCSA Hart Vision Award Recipient, Charter School of the Year 2015

FINANCIAL HIGHLIGHTS

- P-2 average daily attendance (ADA) decreased by 74 from 2018-2019 to 2019-2020.
- General Fund revenues exceed expenditures by \$308,263, ending the year with available reserves of \$2,758,414.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual audit report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are designed to provide the reader with a complete financial picture of the organization as a whole. The information is followed by a breakdown of the details that contribute to the financial position of the organization.

Fund Financial Statements

Fund Financial Statements are the standard financial statements: the balance sheet and the statement of revenues, expenditures and change in fund balance (the income statement). They provide the end result of the year’s activities as it relates to the school’s financial position. In charter schools, there is only one governmental fund to report on – the general fund. Fund financial statements use the modified accrual basis of accounting. The statements report on the near term financial resources of the school.

Government-wide Financial Statements

The government-wide financial statements are required by GASB 34, a requirement designed to provide an overview of the financial activities of the school in a format similar to a private sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. In addition to the information included in the fund financial statements, the government-wide statements contain information regarding assets held and long-term liabilities of the school. Government-wide statements use the accrual basis of accounting.

Government-Wide Statement of Net Position.

Figure 1 shows the changes in the JMCS's Government-Wide Statement of Net Position as of June 30, 2020. This statement is slightly different from the balance sheet in that it includes the liability for compensated absences, or accrued vacation liability.

Figure 1

John Muir Charter Schools

Government-Wide Statement of Net Position as of June 30, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Inc/(Dec)</u>
ASSETS:			
Cash and investments	\$ 2,346,542	\$ 1,629,570	716,972
Receivables	587,951	935,056	(347,105)
Prepaid expenses	73,540	131,853	(58,313)
Other current assets	18,124	25,248	(7,124)
Total assets	<u>3,026,157</u>	<u>2,721,727</u>	<u>304,430</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pension	<u>1,802,495</u>	<u>2,587,646</u>	<u>(785,151)</u>
LIABILITIES:			
Accounts payable	267,743	228,464	39,279
Unearned revenue	-	43,111	(43,111)
Long-term liabilities:			
Due within one year	50,000	50,000	-
Due after one year	<u>8,050,000</u>	<u>9,647,040</u>	<u>(1,597,040)</u>
Total liabilities	<u>8,367,743</u>	<u>9,968,615</u>	<u>(1,600,872)</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pensions	<u>6,089,000</u>	<u>5,302,000</u>	<u>787,000</u>
NET POSITION:			
Restricted	133,732	-	133,732
Unrestricted	<u>(9,761,823)</u>	<u>(9,961,242)</u>	<u>199,419</u>
Total Net Position	<u>\$ (9,628,091)</u>	<u>\$ (9,961,242)</u>	<u>\$ 333,151</u>

Government-Wide Statement of Activities

The Government-Wide Statement of Activities differs from the Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balance because the statement reports all expenses by their function rather than by their expense category. The function represents the general operational area within the charter school and groups related activities together. In addition, the Statement of Activities is adjusted for the changes in long-term assets and liabilities and is reported as a liability on the Statement of Net Position. Figure 2 summarizes the Government-Wide Statement of Activities for the year ended June 30, 2020.

Figure 2

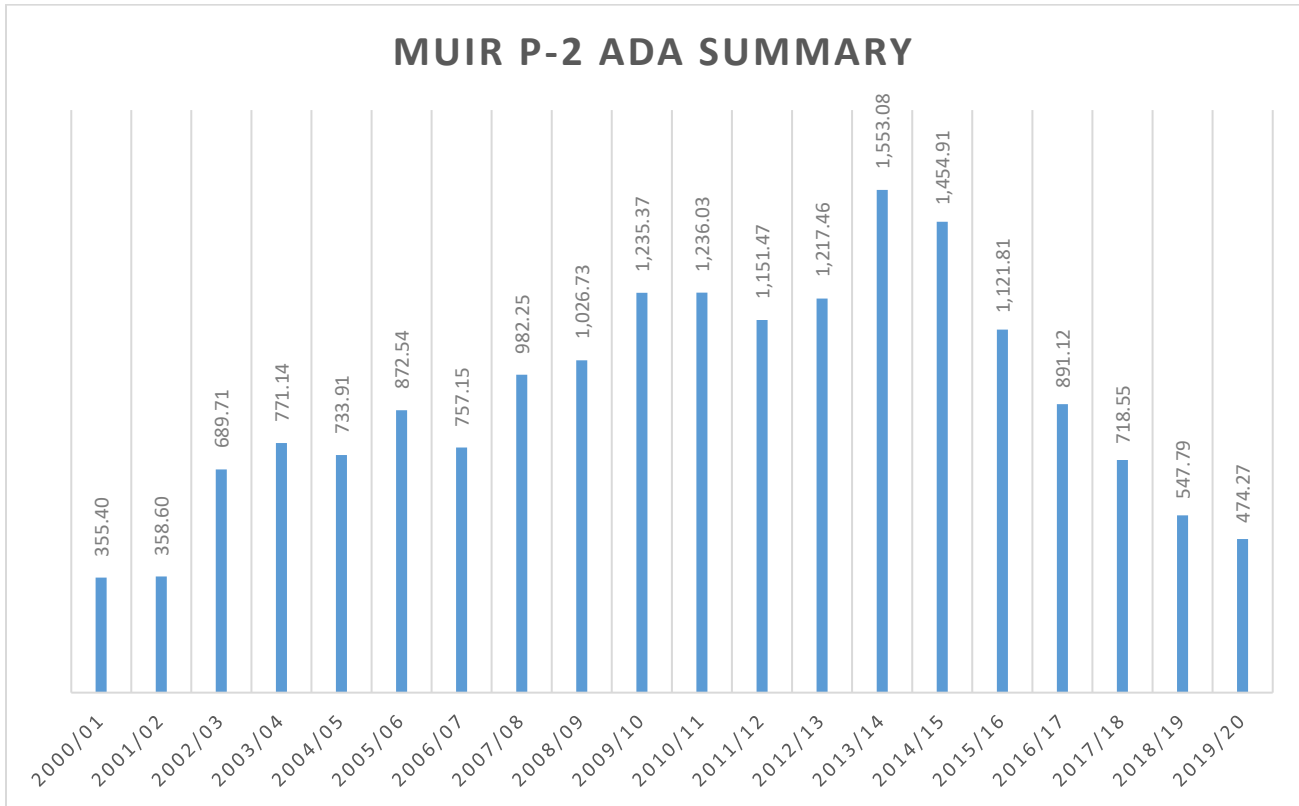
John Muir Charter Schools
Government-Wide Statement of Activities

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
REVENUES			
Program revenues	\$ -	\$ 369	\$ (369)
General revenues:			
Federal and State Aid not restricted to specific purposes	7,208,598	8,651,227	(1,442,629)
Miscellaneous	40,211	98,118	(57,907)
Total revenues	<u>7,248,809</u>	<u>8,749,714</u>	<u>(1,500,905)</u>
EXPENSES			
Instruction	4,666,813	5,033,415	(366,602)
Instruction related services:			
Supervision of instruction	419,636	479,100	(59,464)
Instructional library, media and technology	107,275	132,503	(25,228)
School site administration	1,293,038	1,251,957	41,081
General administration	400,817	426,339	(25,522)
Plant services	28,079	33,921	(5,842)
Total expenses	<u>6,915,658</u>	<u>7,357,235</u>	<u>(441,577)</u>
Change in net position	<u>\$ 333,151</u>	<u>\$ 1,392,479</u>	<u>\$ (1,059,328)</u>

Enrollment Declined in 2019-20

As Figure 3 shows, JMCS's average daily attendance (ADA) for 2019-2020 was 474.27. This is 73.52 ADA less than the 547.79 ADA generated in 2018-2019. JMCS expects enrollments to remain at or increase from the 2019-2020 level in 2020-2021.

Figure 3
John Muir Charter Schools
Average Daily Attendance



Analysis of Budget to Actuals for FY 2019-2020

Figure 4 below contains the original budget, the final budget, and the actual results of operations for FY 19-20. The original budget was adopted by the board in June 2019 and was based upon projected P2 ADA of 557.09. The final budget was based upon actual P2 ADA of 474.27.

The actuals contain a year-end entry to recognize the state's on-behalf contributions to CalSTRS. This contribution is recognized by crediting other state revenue and debiting the STRS expense category. The 2019-20 entry increased the charter school revenue and expense by \$370,214.

Figure 4
Budget to Actuals
June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	<u>Increase/ (Decrease)</u>
REVENUES				
LCFF revenue	\$ 7,281,858	\$ 6,205,921	\$ 6,206,420	\$ 499
Federal Revenue	172,442	174,545	142,194	(32,351)
Other state revenue	502,451	823,569	860,128	36,559
Other local revenue	-	1,146,520	1,168,787	22,267
Total revenues	<u>7,956,751</u>	<u>8,350,555</u>	<u>8,377,529</u>	<u>26,974</u>
EXPENSES				
Certificated salaries	3,338,172	3,440,678	3,450,886	10,208
Classified salaries	1,081,757	998,389	997,035	(1,354)
Employee benefits	1,610,705	1,926,344	1,914,106	(12,238)
Books and supplies	483,087	317,702	277,737	(39,965)
Services and other operating expenditures	<u>1,675,570</u>	<u>1,619,623</u>	<u>1,429,503</u>	<u>(190,120)</u>
Total expenses	<u>8,189,291</u>	<u>8,302,736</u>	<u>8,069,267</u>	<u>(233,469)</u>
Net change in fund balance	(232,540)	47,819	308,262	260,443
Beginning fund balance	<u>2,450,152</u>	<u>2,450,152</u>	<u>2,450,152</u>	<u>-</u>
Ending fund balance	<u>\$ 2,217,612</u>	<u>\$ 2,497,971</u>	<u>\$ 2,758,414</u>	<u>\$ 260,443</u>

John Muir Charter Schools Budget Reserves

The 2019-20 fiscal year marked the charter school's third year of surplus spending, which resulted in a healthy fund balance for the upcoming budget year. JMCS ended the 2019-2020 year with a fund balance of \$2,758,414, which is approximately 34 percent of expenditures during the year. JMCS strives to meet or exceed the target reserve of 25 percent of expenditures. A healthy fund balance allows the school to both meet its cash flow needs as well as respond to budgetary challenges without a reduction in services.

Fiscal Challenges for John Muir Charter Schools

The health of California's economy and the impact of the COVID-19 pandemic on the state's resources are an ongoing concern. The first wave of impact has been in the form of funding deferrals, pushing monthly apportionment payments from one fiscal year to the next. While this does not result in budget cuts, it does present a challenge to the school's cash flow.

Another concern is the State's decision to fund schools on the 2019-20 ADA, a "hold harmless" provision that eliminates the funding for growth in the new year. The State has provided an application for a waiver from this funding cap in the 2020-21 year, but the approval process is slow and it is unclear how the future years will be treated. For now, we will continue to adapt and hope that a return to normal will occur sooner than later.

COVID-19 Impacts

On March 13, 2020, California Governor Gavin Newsom issued Executive Order N-26-20, proclaiming a State of Emergency to exist in California as a result of the threat of the COVID-19 virus, and providing that if any California school districts, county offices of education, and charter schools (each a "Local Educational Agency" or "LEA") closes its schools to address COVID-19, the LEA will continue to receive state funding during the period of closure. JMCS closed schools effective end of day, Monday, March 16, 2020, with school initially scheduled to resume April 13, 2020. As the spread of the virus continued, JMCS remained closed for the remainder of the 2019-20 school year.

On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school funding for fiscal year 2019-20, SB 117 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applies to school districts that comply with Executive Order N-26-20. SB 117 further states the intent of the State Legislature that a school district's employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. While SB 117 provided some immediate relief to school districts, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation continues to evolve.

On March 19, 2020, the Governor issued Executive Order N-33-20, a State-wide stay at home order to protect the health and well-being of all Californians and to establish consistency across the State in order to slow the spread of COVID-19. Such order went into effect immediately.

JMCS has monitored guidelines and regulations from state and local agencies regarding COVID-19 and will continue to do so. At the regular board meeting on July 8, 2020, the JMCS Governing Board was presented with guidelines for reopening. JMCS operates in 21 counties throughout the State of CA, and these guidelines defer to local conditions when making the decision to reopen. The process for reopening was approved by the board at the August 12, 2020 board meeting. At this time, there were 7 sites that were approved for in-class instruction and the remaining 29 sites were expected to resume school using distance learning practices.

Conclusion

In looking ahead to the 2020-2021 school year and beyond, JMCS will continue to diligently monitor its resources and respond to the fiscal challenges as necessary. John Muir Charter Schools is serving a population of students that have typically experienced struggles in both life and academics. The additional challenges related to the COVID-19 pandemic have magnified the struggles of our students. By focusing on the charter school's mission and commitment to quality instructional programs, JMCS is successfully meeting the students' needs while ensuring that the school will continue to be an option into the future.

BASIC FINANCIAL STATEMENTS

JOHN MUIR CHARTER SCHOOLS
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 2,346,542
Receivables	587,951
Prepaid expenses	73,540
Other current assets	<u>18,124</u>
Total assets	<u>3,026,157</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 5 and 6)	<u>1,802,495</u>
LIABILITIES	
Accounts payable	267,743
Long-term liabilities (Note 3):	
Due within one year	50,000
Due after one year	<u>8,050,000</u>
Total liabilities	<u>8,367,743</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 5 and 6)	<u>6,089,000</u>
NET POSITION	
Restricted: Legally restricted programs	133,732
Unrestricted	<u>(9,761,823)</u>
Total net position - unrestricted	<u>\$ (9,628,091)</u>

See accompanying notes to financial statements.

JOHN MUIR CHARTER SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 4,666,813	\$ -	\$ -	\$ -	\$ (4,666,813)
Instruction- related services:					
Supervision of instruction	419,636	-	-	-	(419,636)
Instructional library, media and technology	107,275	-	-	-	(107,275)
School site administration	1,293,038	-	-	-	(1,293,038)
General administration:					
All other general administration	400,817	-	-	-	(400,817)
Plant services	<u>28,079</u>	-	-	-	<u>(28,079)</u>
Total governmental activities	<u>\$ 6,915,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(6,915,658)</u>
General revenues:					
State aid not restricted to specific purposes					7,208,598
Miscellaneous					<u>40,211</u>
					Total general revenues
					<u>7,248,809</u>
					Change in net position
					333,151
					Net position, July 1, 2019
					<u>(9,961,242)</u>
					Net position, June 30, 2020
					<u>\$ (9,628,091)</u>

See accompanying notes to financial statements.

JOHN MUIR CHARTER SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2020

	General Fund
ASSETS	
Cash and investments:	
Cash in banks	\$ 2,346,542
Receivables	587,951
Prepaid expenditures	73,540
Other current assets	<u>18,124</u>
Total assets	<u>\$ 3,026,157</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	<u>\$ 267,743</u>
Total liabilities	<u>267,743</u>
Fund balances:	
Nonspendable	73,540
Restricted	133,732
Assigned	1,128,720
Unassigned	<u>1,422,422</u>
Total fund balance	<u>2,758,414</u>
Total liabilities and fund balance	<u>\$ 3,026,157</u>

See accompanying notes to financial statements.

JOHN MUIR CHARTER SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - General Fund \$ 2,758,414

Amounts reported for governmental activities in the statement of net position are different because:

In government funds, deferred outflows and inflows of

resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 5 and 6):

Deferred outflows of resources relating to pensions	\$ 1,802,495	
Deferred inflows of resources relating to pensions	<u>(6,089,000)</u>	
		(4,286,505)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of (Note 3):

Net pension liability (Notes 5 and 6)	(6,772,000)	
Paycheck Protection Program (PPP) loan	(1,128,720)	
Compensated absences	<u>(199,280)</u>	
		<u>(8,100,000)</u>

Total net position - governmental activities	<u>\$ (9,628,091)</u>
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See accompanying notes to financial statements.

JOHN MUIR CHARTER SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2020

	<u>General Fund</u>
Revenues:	
Local Control Funding Formula (LCFF):	
State apportionment	\$ 1,953,005
Local sources	<u>4,253,415</u>
Total LCFF	<u>6,206,420</u>
Federal revenue	142,194
Other state sources	860,128
Other local sources	<u>40,067</u>
Total revenues	<u>7,248,809</u>
Expenditures:	
Current:	
Certificated salaries	3,450,886
Classified salaries	997,035
Employee benefits	1,914,106
Books and supplies	277,737
Contract services and operating expenditures	<u>1,429,503</u>
Total expenditures	<u>8,069,267</u>
Deficiency of revenues under expenditures	<u>(820,458)</u>
Other financing sources;	
Proceeds from the issuance of debt - PPP loan	<u>1,128,720</u>
Net change in fund balance	308,262
Fund balances, July 1, 2019	<u>2,450,152</u>
Fund balances, June 30, 2020	<u><u>\$ 2,758,414</u></u>

See accompanying notes to financial statements.

JOHN MUIR CHARTER SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2020

Net change in fund balance - General Fund \$ 308,262

Amounts reported for governmental activities in the statement of activities are different because:

In governmental funds, proceeds from the issuance of debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt. (Note 3) (1,128,720)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 5 and 6) 1,161,849

In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental fund, expenditures are measured by the amount of financial resources used (Note 3). (8,240) 24,889

Change in net position of governmental activities \$ 333,151

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

John Muir Charter Schools (the "Charter School") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of the Charter School conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies.

Reporting Entity: On August 2, 1999, the State Board of Education granted charter school status to John Muir Charter Schools through the authority established in Education Code Section 47604 (Senate Bill 1448, Statutes of 1992, Chapter 781). The State Board of Education can revoke John Muir Charter Schools' charter if the Board of Education determines that the Charter School did any of the following:

1. Committed a material violation of any of the conditions, standards, or procedures set forth in the charter petition.
2. Failed to meet or pursue any of the pupil outcomes identified in the charter petition.
3. Failed to meet generally accepted accounting standards of fiscal management.
4. Violated any provision of law.

The Board of Directors is the level of government which has governance responsibilities over all activities related to public school education in the Charter School.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations and financial statements prepared using full accrual accounting for all of the Charter School's activities, including infrastructure.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Charter school's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Charter School's general revenues.

Allocation of indirect expenses: The Charter School has no allocated expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the Charter School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Charter School resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Due to purpose, the Charter School's accounts are currently organized as one fund type:

Governmental Fund Type

1 - General Fund:

The General Fund is the general operating fund of the Charter School and accounts for all revenues and expenditures of the Charter School. All general tax revenues and other receipts are accounted for in this fund. General operating expenditures and the capital improvement costs are paid from the General Fund.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Directors must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Directors complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California for the Local Control Funding Formula and Categorical programs. The Charter School has determined that no allowance for doubtful accounts was needed as of June 30, 2020.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The Charter School has recognized a deferred outflow of resources related to recognition of the net pension liability reported in the statement of net position.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Charter School has recognized a deferred inflow of resources related to the recognition of the net pension liability reported which is in the statement of net position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 1,375,603	\$ 426,892	\$ 1,802,495
Deferred inflows of resources	\$ 4,471,000	\$ 1,618,000	\$ 6,089,000
Net pension liability	\$ 4,865,000	\$ 1,907,000	\$ 6,772,000
Pension expense	\$ 216,082	\$ (175,675)	\$ 40,407

Compensated Absences: Compensated absences benefits in the amount \$199,280 are recorded as a long-term liability of the Charter School. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the Charter School. The Charter School's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain CalSTRS and CalPERS employees, when the employee retires.

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. There is no net position - net investment in capital assets for the year ended June 30, 2020.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as prepaid expenditures.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide statements. It is the Charter School's policy to use restricted fund balances first when allowable expenditures are incurred.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Directors. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Directors is required to remove any commitment from any fund balance. At June 30, 2020, the Charter School had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the Charter School's Board of Directors has approved to be used for specific purposes, based on the Charter School's intent related to those specific purposes. The Board of Directors can designate personnel with the authority to assign fund balances, however, as of June 30, 2019, no such designation has occurred.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The Charter School has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require charter schools to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Directors. At June 30, 2020, the Charter School has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020 consisted of the following:

Cash in banks	<u>\$ 2,346,542</u>
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Deposits - Custodial Credit Risk: The Charter School limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution.

At June 30, 2020, the carrying amount of the Charter School's accounts was \$2,346,542 and the bank balance was \$2,387,992, \$250,000 of which was insured by the FDIC.

Interest Rate Risk: The Charter School does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the Charter School had no significant interest rate risk related to cash and investments held.

Credit Risk: The Charter School does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The Charter School does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the Charter School had no concentration of credit risk.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – LONG-TERM LIABILITIES

Paycheck Protection Program (PPP) Loan: On May 22, 2020, the Charter School obtained a PPP Loan under a program offered by the United States Small Business Administration (SBA) in the amount of \$1,128,720. The Charter School is accounting for the PPP Loan as a long-term liability in the statement of net position as the Charter School has yet to satisfy the forgiveness conditions imposed by the SBA. The loan has a stated interest rate of 1.0%, with no payments due for the first six months.

In order to obtain loan forgiveness from the SBA, the Charter School must spend the PPP proceeds on allowable expenses and maintain certain required levels of employee retention over a 24-week period. The loan program expenditures and results are subject to review and acceptance by the SBA and, as a result of such review, future adjustments could be required. If the SBA does not forgive any portion of the PPP loan, the remaining balance is due over a two-year repayment period. The Charter School expects to meet these conditions and apply for forgiveness during the year ending June 30, 2021. As of the date of this report, the Charter School has not been provided a repayment schedule for the loan.

Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2020 is shown below:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Net pension liability (Notes 5 and 6)	\$ 9,506,000	\$ -	\$ 2,734,000	\$ 6,772,000	\$ -
PPP Loan	-	1,128,720	-	1,128,720	-
Compensated absences	<u>191,040</u>	<u>8,240</u>	<u>-</u>	<u>199,280</u>	<u>50,000</u>
 Total	 <u>\$ 9,697,040</u>	 <u>\$ 1,136,960</u>	 <u>\$ 2,734,000</u>	 <u>\$ 8,100,000</u>	 <u>\$ 50,000</u>

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 – FUND BALANCES

Fund balances, by category, at June 30, 2020 consisted of the following:

	<u>General Fund</u>
Nonspendable:	
Prepaid expenditures	\$ <u>73,540</u>
Restricted	
Career Pathways Trust Grant	<u>133,732</u>
Assigned:	
Paycheck Protection Loan	<u>1,128,720</u>
Unassigned:	
Designated for economic uncertainties	806,927
Undesignated	<u>615,495</u>
Total unassigned	<u>1,422,422</u>
Total fund balance	<u>\$ 2,758,414</u>

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the Charter School are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

(Continued)

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a full time basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018-19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts permitted by employers such that the amounts permitted will be 1.03 and 0.70 percentage points less than the statutorily required amount due for fiscal years 2019-20 and 2020-21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employer's share of the unfunded actuarial obligation of the DB program.

(Continued)

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revise certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contributions originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021-22. Pursuant to AB84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020-21 and 2.18% less than the rate set by the board for fiscal year 2021-22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB program. The rate reduction for fiscal year 2019-20 under SB90 was not changed by AB84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021-22 under the CalSTRS Funding Plan were not changed by the passage of SB90 or AB84.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, members contribute 50% of the normal costs of their retirement plan, which resulted in a contribution rate of 10.205% of applicable member earnings for fiscal year 2019-20.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2% annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2% annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2% annual benefit adjustment.

Employers – 17.10% of applicable member earnings. This rate reflects the original employer contribution rate of 18.13% under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25% to a total of 19.1% of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1% in a fiscal year, and the total contribution rate in addition to the 8.25% cannot exceed 12%.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2019	8.25%	9.88%	17.10% ⁽¹⁾
July 01, 2020	8.25%	10.85%	16.15% ⁽¹⁾
July 01, 2021	8.25%	(2)	(2)
July 01, 2022 to June 30, 2046	8.25%	(2)	(2)
July 01, 2046	8.25% Increase from prior rate ceases in 2046-47		

(1) Pursuant to SB 90 and AB 84, the fiscal year 2018-19 state contribution of approximately \$2.2 billion made in advance on behalf of employers will be used to pay the contributions required by employers for the 2019-20, 2020-21 and 2021-22 fiscal years, such that employers will remit 1.030%, 2.950% and 2.180% less, respectively, than is required by the CalSTRS Funding Plan.

(2) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The Charter School contributed \$572,603 to the plan for the fiscal year ended June 30, 2020.

State – 10.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811% on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Accordingly, the enactment of SB 90 will result in future supplemental contributions to be made by the State to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019-20 through 2022-23.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% ⁽²⁾
July 01, 2020	2.017%	5.811% ⁽³⁾	2.50%	10.328% ⁽²⁾
July 01, 2020 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	(5)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(3) In May 2020, the CalSTRS Board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020-21, thereby negating the board's rate increase of 0.5%.

(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50% in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0%.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Charter School reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Charter School. The amount recognized by the Charter School as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Charter School were as follows:

Charter School's proportionate share of the net pension liability	\$	4,865,000
State's proportionate share of the net pension liability associated with the Charter School		2,654,000
Total	\$	7,519,000

The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Charter School's proportion of the net pension liability was based on the Charter School's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2019, the Charter School's proportion was 0.005%, which was a decrease of 0.002% from its proportion measured as of June 30, 2018.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the Charter School recognized pension expense of \$216,082 and revenue of \$432,761 for support provided by the State. At June 30, 2020, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,000	\$ 137,000
Changes of assumptions	615,000	-
Net differences between projected and actual earnings on investments	-	187,000
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	176,000	4,147,000
Contributions made subsequent to measurement date	<u>572,603</u>	<u>-</u>
Total	<u>\$ 1,375,603</u>	<u>\$ 4,471,000</u>

\$572,603 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2021	\$ (721,767)
2022	(851,767)
2023	(810,767)
2024	(533,767)
2025	(531,266)
2026	(218,666)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increase	2.00% for simple DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.8%
Fixed Income	12	1.3
Real Estate	13	3.6
Private Equity	13	6.3
Absolute Return / Risk Mitigating Strategies	9	1.8
Inflation Sensitive	4	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

(Continued)

NOTE 5 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Charter School's proportionate share of the net pension liability	<u>\$ 7,244,000</u>	<u>\$ 4,865,000</u>	<u>\$ 2,892,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.pdf>

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members - The member contribution rate was 7.00% of applicable member earnings for fiscal year 2019-20.

Employers - The employer contribution rate was 19.72% of applicable member earnings.

The Charter School contributed \$196,892 to the plan for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2020, the Charter School reported a liability of \$1,907,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Charter School’s proportion of the net pension liability was based on the Charter School’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2019, the Charter School’s proportion was 0.007%, which was a decrease of 0.004% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$(175,675) for support provided by the State. At June 30, 2020, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 139,000	\$ -
Changes of assumptions	91,000	-
Net differences between projected and actual earnings on investments	-	18,000
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	-	1,600,000
Contributions made subsequent to measurement date	<u>196,892</u>	<u>-</u>
Total	<u>\$ 426,892</u>	<u>\$ 1,618,000</u>

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$196,892 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2021	\$	(565,500)
2022		(595,500)
2023		(232,000)
2024		5,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is four years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increase	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

JOHN MUIR CHARTER SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10 ⁽¹⁾</u>	<u>Expected Real Rate of Return Years 11+ ⁽²⁾</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period

(2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

(Continued)

JOHN MUIR CHARTER SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE 6 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6,15%) or 1-percentage-point higher (8,15%) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
Charter School's proportionate share of the net pension liability	<u>\$ 2,749,000</u>	<u>\$ 1,907,000</u>	<u>\$ 1,209,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 7 – CONTINGENCIES

The Charter School is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Charter School.

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

NOTE 8 – COVID 19 IMPACT

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the Charter School closed physical campuses and transitions to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26-20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the Charter School could be adversely affected in the future including the reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. For the fiscal 2021 school year, the Charter School is offering instruction and formats consistent with local health guidelines. Throughout the pandemic the Charter School has put into practice a number of safety measures to protect students and employees it will continue to revise them as needed.

REQUIRED SUPPLEMENTARY INFORMATION

JOHN MUIR CHARTER SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2020

	Budget		Actual	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
LCFF:				
State apportionment	\$ 2,701,582	\$ 2,016,133	\$ 1,953,005	\$ (63,128)
Local sources	<u>4,580,276</u>	<u>4,189,788</u>	<u>4,253,415</u>	<u>63,627</u>
Total LCFF	<u>7,281,858</u>	<u>6,205,921</u>	<u>6,206,420</u>	<u>499</u>
Federal sources	172,442	174,545	142,194	(32,351)
Other state sources	502,451	823,569	860,128	36,559
Other local sources	<u>-</u>	<u>17,800</u>	<u>40,067</u>	<u>22,267</u>
Total revenues	<u>7,956,751</u>	<u>7,221,835</u>	<u>7,248,809</u>	<u>26,974</u>
Expenditures:				
Current:				
Certificated salaries	3,338,172	3,440,678	3,450,886	(10,208)
Classified salaries	1,081,757	998,389	997,035	1,354
Employee benefits	1,610,705	1,926,344	1,914,106	12,238
Books and supplies	483,087	317,702	277,737	39,965
Contract services and operating expenditures:	<u>1,675,570</u>	<u>1,619,623</u>	<u>1,429,503</u>	<u>190,120</u>
Total expenditures	<u>8,189,291</u>	<u>8,302,736</u>	<u>8,069,267</u>	<u>233,469</u>
Deficiency of revenues under expenditures	<u>(232,540)</u>	<u>(1,080,901)</u>	<u>(820,458)</u>	<u>260,443</u>
Other financing sources:				
Proceeds from the issuance of debt	<u>-</u>	<u>1,128,720</u>	<u>1,128,720</u>	<u>-</u>
Net change in fund balance	(232,540)	47,819	308,262	260,443
Fund balance, July 1, 2019	<u>2,450,152</u>	<u>2,450,152</u>	<u>2,450,152</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 2,217,612</u>	<u>\$ 2,497,971</u>	<u>\$ 2,758,414</u>	<u>\$ 260,443</u>

See accompanying note to required supplementary information

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Charter School's proportion of the net pension liability	0.013%	0.013%	0.011%	0.010%	0.007%	0.005%
Charter School's proportionate share of net pension liability	\$ 7,596,810	\$ 8,888,000	\$ 9,291,000	\$ 9,147,000	\$ 6,552,000	\$ 4,865,000
State's proportionate share of the the net pension liability associated with the Charter School	<u>4,579,000</u>	<u>4,701,000</u>	<u>5,290,000</u>	<u>5,412,000</u>	<u>3,751,000</u>	<u>2,654,000</u>
Total net pension liability	<u>\$ 12,175,810</u>	<u>\$ 13,589,000</u>	<u>\$ 14,581,000</u>	<u>\$ 14,559,000</u>	<u>\$ 10,303,000</u>	<u>\$ 7,519,000</u>
Charter School's covered-employee payroll	\$ 5,779,000	\$ 6,128,000	\$ 5,725,000	\$ 5,242,000	\$ 3,825,000	\$ 2,914,000
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	131.46%	145.04%	162.29%	174.49%	171.29%	166.95%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information

JOHN MUIR CHARTER SCHOOLS
 SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS
 For the Year Ended June 30, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Charter School's proportion of the net pension liability	0.010%	0.018%	0.021%	0.019%	0.011%	0.007%
Charter School's proportionate share of the net pension liability	\$ 1,101,186	\$ 2,654,000	\$ 4,241,000	\$ 4,517,000	\$ 2,954,000	\$ 1,907,000
Charter School's covered payroll	\$ 1,026,000	\$ 1,993,000	\$ 2,576,000	\$ 2,413,000	\$ 1,461,000	\$ 910,000
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	107.33%	133.17%	164.64%	187.19%	202.19%	209.56%
Plan fiduciary net position as a percentage of the total percentage liability	83.38%	74.02%	73.89%	71.87%	70.85%	70.05%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS
For the Year Ended June 30, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 544,133	\$ 614,305	\$ 659,444	\$ 551,888	\$ 474,322	\$ 572,603
Contributions in relation to the contractually required contribution	<u>(544,133)</u>	<u>(614,305)</u>	<u>(659,444)</u>	<u>(551,888)</u>	<u>(474,322)</u>	<u>(572,603)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered payroll	\$ 6,128,000	\$ 5,725,000	\$ 5,242,000	\$ 3,825,000	\$ 2,914,000	\$ 3,158,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*

All years prior to 2015 are not available.

*This rate reflects the original employer contribution rate of 18.13% under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

(Continued)

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS
For the Year Ended June 30, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 234,613	\$ 305,163	\$ 335,166	\$ 226,912	\$ 164,324	\$ 196,892
Contributions in relation to the contractually required contribution	<u>(234,613)</u>	<u>(305,163)</u>	<u>(335,166)</u>	<u>(226,912)</u>	<u>(164,324)</u>	<u>(196,892)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered payroll	\$ 1,993,000	\$ 2,576,000	\$ 2,413,000	\$ 1,461,000	\$ 910,000	\$ 998,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

See accompanying note to required supplementary information

JOHN MUIR CHARTER SCHOOLS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The Charter School employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of the Charter School's Proportionate Share of the Net Pension Liability

The Schedule of the Charter School's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the Charter School's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C – Schedule of the Charter School's Contributions

The Schedule of the Charter School's Contributions is presented to illustrate the Charter School's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available.

D – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

E - Changes of Assumptions

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15% in the June 30, 2013, 2014, 2015, 2016, 2017 and 2018 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	<u>Measurement period</u>				
<u>Assumptions</u>	As of June 30 <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10	7.10	7.10	7.60	7.60
Wage growth	3.50	3.50	3.50	3.75	3.75

See accompanying note to required supplementary information

SUPPLEMENTARY INFORMATION

JOHN MUIR CHARTER SCHOOLS
ORGANIZATION
June 30, 2020

John Muir Charter Schools (JMCS) was established August 2, 1999, through authority established in Education Code Section 47604. John Muir Charter Schools filed Articles of Incorporation with the California Secretary of State's office on January 3, 2002, and is a non-profit public benefit corporation recognized by the State of California. John Muir Charter Schools is authorized by the Nevada County Board of Education. JMCS became their own fiscal agent at the beginning of 2015-16 fiscal year. Prior to that, the Nevada County Superintendent of Schools was the fiscal agent for the Charter School. The Charter School is currently operating to serve the unique educational needs of the youth of the California Conservation Corps, the Local Conservation Corps, Job Corps, YouthBuild and Workforce Investment and Opportunity Act funded programs.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Santon Miller	President	June 2023
Michael Corbett	Vice President	June 2025
Len Eckhardt	Treasurer	June 2021
Sallie Wilson	Secretary	June 2024
Gil Botello	Officer	May 2023

ADMINISTRATION

RJ Guess
Chief Executive Officer (CFO)

Michael Wegner
Chief Operations Officer

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2020

	Second Period <u>Report</u>	Annual <u>Report</u>
Certificate Number -	59829181	7B217ABA
<u>John Muir Charter Schools - Classroom-Based</u>		
Ninth through Twelfth	<u>474</u>	<u>474</u>

See accompanying notes to supplementary information

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2020

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2019-2020 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	65,880	183	In Compliance
Grade 10	64,800	65,880	183	In Compliance
Grade 11	64,800	65,880	183	In Compliance
Grade 12	64,800	65,880	183	In Compliance

JOHN MUIR CHARTER SCHOOLS
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

There were no audit adjustments proposed.

See accompanying notes to supplementary information

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2020
(UNAUDITED)

	(Budget) <u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>General Fund</u>				
Revenues	\$ 6,468,674	\$ 8,377,529	\$ 8,749,714	\$ 10,086,278
Expenditures	6,628,646	8,069,267	7,338,843	9,648,289
Change in fund balance	\$ (159,972)	\$ 308,262	\$ 1,410,871	\$ 437,989
Ending fund balance	\$ 2,598,442	\$ 2,758,414	\$ 2,450,152	\$ 1,039,281
Available reserves	\$ 1,209,275	\$ 1,422,422	\$ 1,898,593	\$ 952,660
Designated for economic uncertainties	\$ 662,865	\$ 615,495	\$ 733,884	\$ 289,449
Undesignated fund balance	\$ 546,410	\$ 806,927	\$ 1,164,709	\$ 663,211
Available reserves as a percentage of expenditures	<u>18.24%</u>	<u>17.63%</u>	<u>25.90%</u>	<u>9.87%</u>
Total long-term liabilities	\$ 8,050,000	\$ 8,100,000	\$ 9,697,040	\$ 13,887,802
Average daily attendance at P-2	<u>474</u>	<u>474</u>	<u>548</u>	<u>719</u>

The General Fund fund balance has increased by \$2,157,122 over the past three years. The Charter School projects a decrease of \$159,972 for the fiscal year ending June 30, 2021.

The State of California has not established reserve requirements for Charter Schools.

The Charter School incurred an operating surplus in each of the past three years, and anticipates incurring an operating deficit during the 2020-2021 fiscal year.

Total long-term liabilities have decreased by \$5,787,802 over the past two years.

Average daily attendance has decreased by 245 over the past two years. ADA is anticipated to remain the same during the year ending June 30, 2021.

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2020

Charter Schools Chartered by Charter School

Included in Charter School
Financial Statements, or
Separate Report

The Charter School has not chartered any charter schools.

See accompanying notes to supplementary information

NOTE 1 – PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance 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 school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

The Charter School has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The Charter School neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of Education Code Sections 46201 through 46206. The Charter School submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on June 25, 2020.

C - Reconciliation of Unaudited Actual Financial Report with Audited General Purpose Financial Statements

This schedule provides the information necessary to reconcile the fund balance of the General Fund as reported on the Unaudited Actual Financial Report to the audited basic financial statements.

D - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides trend information on the Charter School's financial condition over the past three years and its anticipated condition for the 2020-2021 fiscal year.

E - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by charter schools.

NOTE 2 – EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2020, the Charter School did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Directors
John Muir Charter Schools
Grass Valley, California

Report on Compliance with State Laws and Regulations

We have audited John Muir Charter Schools' compliance with the types of compliance requirements described in the State of California's *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2020.

<u>Description</u>	<u>Procedures Performed</u>
<u>Local Education Agencies Other than Charter Schools:</u>	
Attendance Reporting	Not applicable
Teacher Certification and Mis assignments	Not applicable
Kindergarten Continuance	Not applicable
Independent Study	Not applicable
Continuation Education	Not applicable
Instructional Time	Not applicable
Instructional Materials	Not applicable
Ratio of Administrative Employees to Teachers	Not applicable
Classroom Teacher Salaries	Not applicable
Early Retirement Incentive	Not applicable
Gann Limit Calculation	Not applicable
School Accountability Report Card	Not applicable
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Not applicable
Transportation Maintenance of Effort	Not applicable
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Not applicable
District of Choice	Not applicable
<u>Schools Districts, County Office of Education and Charter Schools:</u>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below

(Continued)

Charter Schools:

Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	Yes

The Charter School did not receive After/Before School Education and Safety funding in the current year; therefore, we did not perform any procedures related to After/Before School Education and Safety Program.

The Charter School did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

We did not perform any procedures related to Nonclassroom-Based Instruction/ Independent Study for charter schools or Determination of Funding for Nonclassroom-Based Instruction for charter schools because John Muir Charter Schools has no Nonclassroom-Based/Independent Study students.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on John Muir Charter Schools' compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on John Muir Charter Schools' compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about John Muir Charter Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of John Muir Charter Schools' compliance.

Opinion on Compliance with State Laws and Regulations

In our opinion, John Muir Charter Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 23, 2020

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

Board of Directors
John Muir Charter Schools
Grass Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of John Muir Charter Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise John Muir Charter Schools' basic financial statements, and have issued our report thereon dated December 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered John Muir Charter Schools' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of John Muir Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of John Muir Charter Schools' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether John Muir Charter Schools' 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 statement. 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*.

(Continued)

Purpose of this Report

The purpose of this 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 23, 2020

FINDINGS AND RECOMMENDATIONS

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ X No	

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Unmodified
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(Continued)

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

JOHN MUIR CHARTER SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

JOHN MUIR CHARTER SCHOOLS
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2020

No matters were reported.