



**YU MING CHARTER SCHOOL**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

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

Yu Ming Charter (Charter No. 1296)

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Yu Ming Charter School (the "Charter") which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yu Ming Charter School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter***Change in Accounting Principle*

As discussed in Note 1N to the financial statements, in 2018-19 Yu Ming Charter School adopted new accounting guidance, ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Other Matters***Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.



San Diego, California  
December 13, 2019

**YU MING CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

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**ASSETS**

Current assets	
Cash and cash equivalents	\$ 885,229
Accounts receivable	983,739
Prepaid expenses	<u>217,414</u>
Total current assets	<u>2,086,382</u>
 Noncurrent assets	
Deposits	50,000
Capital assets, net	<u>207,085</u>
Total noncurrent assets	<u>257,085</u>
<b>Total Assets</b>	<b><u>\$ 2,343,467</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable	\$ 337,435
Deferred rent liability	<u>99,815</u>
Total liabilities	<u>437,250</u>
 Net assets	
Without donor restrictions	1,882,995
With donor restrictions	<u>23,222</u>
Total net assets	<u>1,906,217</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,343,467</u></b>

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

**YU MING CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Federal and state support and revenues			
Local control funding formula, state aid	\$ 3,613,241	\$ -	\$ 3,613,241
Federal revenues	197,438	-	197,438
Other state revenues	1,173,149	16,259	1,189,408
Total federal and state support and revenues	<u>4,983,828</u>	<u>16,259</u>	<u>5,000,087</u>
Local support and revenues			
Grants and donations	184,765	60,000	244,765
Investment income, net	9,251	-	9,251
Other local revenues	1,317,977	-	1,317,977
Total local support and revenues	<u>1,511,993</u>	<u>60,000</u>	<u>1,571,993</u>
Donor restrictions satisfied	285,612	(285,612)	-
<b>Total Support and Revenues</b>	<u>6,781,433</u>	<u>(209,353)</u>	<u>6,572,080</u>
<b>EXPENSES</b>			
Program services	4,833,994	-	4,833,994
Supporting services			
Management and general	1,207,424	-	1,207,424
Fundraising	15,864	-	15,864
<b>Total Expenses</b>	<u>6,057,282</u>	<u>-</u>	<u>6,057,282</u>
<b>CHANGE IN NET ASSETS</b>	724,151	(209,353)	514,798
<b>Net Assets - Beginning</b>	<u>1,158,844</u>	<u>232,575</u>	<u>1,391,419</u>
<b>Net Assets - Ending</b>	<u>\$ 1,882,995</u>	<u>\$ 23,222</u>	<u>\$ 1,906,217</u>

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

**YU MING CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019**

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	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>EXPENSES</b>				
Personnel expenses				
Certificated salaries	\$ 2,337,042	\$ -	\$ -	\$ 2,337,042
Non-certificated salaries	263,299	419,124	-	682,423
Deferred compensation	674,068	-	-	674,068
Payroll taxes	88,228	38,713	-	126,941
Other employee benefits	181,794	29,301	-	211,095
Total personnel expenses	<u>3,544,431</u>	<u>487,138</u>	<u>-</u>	<u>4,031,569</u>
Non-personnel expenses				
Books and supplies	387,709	34,000	-	421,709
Insurance	-	22,579	-	22,579
Facilities	566,172	85,421	-	651,593
Professional services	265,614	538,040	15,864	819,518
Depreciation	26,175	-	-	26,175
Other operating expenses	43,893	40,246	-	84,139
Total non-personnel expenses	<u>1,289,563</u>	<u>720,286</u>	<u>15,864</u>	<u>2,025,713</u>
<b>Total Expenses</b>	<u>\$ 4,833,994</u>	<u>\$ 1,207,424</u>	<u>\$ 15,864</u>	<u>\$ 6,057,282</u>

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

**YU MING CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 514,798
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	26,175
(Increase) decrease in operating assets	
Accounts receivable	(341,022)
Prepaid expenses	23,446
Increase (decrease) in operating liabilities	
Accounts payable	173,703
Deferred rent liability	44,542
<b>Net cash provided by (used in) operating activities</b>	<u>441,642</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of capital assets	<u>(233,260)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(233,260)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	208,382
<b>Cash and cash equivalents - Beginning</b>	<u>676,847</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 885,229</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	<u>\$ 553</u>

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

**YU MING CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Yu Ming Charter School (the “Charter”) was formed as a nonprofit public benefit corporation on July 7, 2010 for the purpose of operating as a California public school located in Alameda County. The Charter was numbered by the State Board of Education in May 2011 as California Charter No. 1296. As a leader in Mandarin Immersion education, Yu Ming Charter School nurtures their inclusive and diverse community to become empowered, engaged, and outstanding global citizens. During the year ended June 30, 2019, Yu Ming Charter School served grades K to 8.

Yu Ming Charter School is authorized to operate as a charter school through Alameda County Office of Education (the “authorizing agency”). In April 2016, the Alameda County Board of Education approved a charter petition renewal for the Charter for a five-year term beginning July 1, 2016 and expiring on June 30, 2021. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

**B. Basis of Accounting**

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

**C. Financial Statement Presentation**

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective July 1, 2018. Under the Guide, Yu Ming Charter School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

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

**D. Estimates**

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Functional Expenses**

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

**F. Contributions**

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

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

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

**G. In Lieu of Property Taxes Revenue**

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

**H. Cash and Investments**

Yu Ming Charter School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

**I. Receivables and Allowances**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2019, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Capital Assets**

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

**K. Deferred Revenue**

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

**L. Income Taxes**

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

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

**M. Fair Value Measurements**

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. Change in Accounting Principle**

**Not-for-Profit Financial Reporting Model Standard**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The implementation had no impact on the previously reported total net assets as of July 1, 2018. Under the new accounting principle, the portion of beginning net assets previously reported as unrestricted is now presented as net assets without donor restrictions and previous balances under temporarily restricted net assets are currently net assets with donor restrictions.

**O. New Accounting Pronouncements**

**Revenue Recognition**

In May 2014, the International Accounting Standards Board (IASB) and FASB issued a joint accounting standard on revenue recognition to address a number of concerns regarding the complexity and lack of consistency surrounding the accounting for revenue transactions. Consistent with each board's policy, FASB and IASB issued new reporting standards on revenue recognition. FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in FASB ASU No. 2014-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB ASC 605 *Revenue Recognition*. The guidance was originally effective for public entities for the fiscal year beginning after December 15, 2016. In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to allow entities additional time to implement systems, gather data, and resolve implementation questions. The effective dates for the new guidance are staggered. Public entities have already implemented the new guidance, and nonprofit entities are required to implement the new guidance for fiscal years beginning after December 15, 2018. The Charter will determine the impact on the financial statements once implemented for the fiscal year ending June 30, 2020.

**Leases**

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease and was originally effective for public business entities for fiscal years beginning after December 15, 2018. In October 2019, FASB approved to delay effective dates for all public business entities, except for SEC filers, to fiscal years beginning after December 15, 2019. The Charter will determine the impact on the financial statements once implemented for the fiscal year ending June 30, 2021.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2019, consist of cash in banks of \$885,229 in interest bearing accounts.

The FDIC insures up to \$250,000 per depositor per insured bank. As of June 30, 2019, \$813,317 of the Yu Ming Charter School's bank balance was exposed to custodial credit risk as there were deposits over \$250,000 in accounts held at one bank. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Yu Ming Charter School does not have a policy for custodial credit risk for deposits.

**YU MING CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2019, consists of the following:

Local control funding sources	\$	437,833
Federal sources		177,922
Other state sources		307,133
Other local sources		60,851
<b>Total Accounts Receivable</b>	<b>\$</b>	<b>983,739</b>

**NOTE 4 – CAPITAL ASSETS**

A summary of activity related to capital assets during the year ended June 30, 2019 consists of the following:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>June 30, 2019</b>
Property and equipment				
Leasehold improvements	\$ 14,420	\$ 224,760	\$ -	\$ 239,180
Computer and other equipment	10,800	8,500	-	19,300
Total property and equipment	25,220	233,260	-	258,480
Less accumulated depreciation	(25,220)	(26,175)	-	(51,395)
<b>Capital Assets, net</b>	<b>\$ -</b>	<b>\$ 207,085</b>	<b>\$ -</b>	<b>\$ 207,085</b>

**NOTE 5 – ACCOUNTS PAYABLE**

Accounts payable as of June 30, 2019, consists of the following:

Credit card liabilities	\$	117,406
Proposition 39 construction		76,696
Compensated absences		63,688
Due to authorizing agency		30,525
Employee reimbursements		5,202
Other vendor payables		43,918
<b>Total Accounts Payable</b>	<b>\$</b>	<b>337,435</b>

**NOTE 6 – DEFERRED RENT LIABILITY**

Yu Ming Charter School held a deferred rent liability of \$99,815 as of June 30, 2019. The deferred rent liability is associated with the lease agreements disclosed in Note 11 and is recorded due to changing rent amounts over the term of the lease. Future minimum lease payments and the related change in deferred rent liability are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Lease</b>	<b>Deferred Rent</b>	<b>Total Lease</b>
	<b>Payment</b>	<b>Liability</b>	<b>Expense</b>
2020	\$ 503,418	\$ 5,392	\$ 508,810
2021	540,762	(31,952)	508,810
2022	578,117	(69,307)	508,810
2023	26,917	(3,948)	22,969
<b>Total</b>	<b>\$ 1,649,214</b>	<b>\$ (99,815)</b>	<b>\$ 1,549,399</b>

**YU MING CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 7 – NET ASSETS**

**Net Assets with Donor Restrictions**

As of June 30, 2019, the Charter’s net assets with donor restrictions consist of the following:

State-imposed restrictions		
Low-performing students block grant	\$	13,832
Classified employee professional development		2,427
Local donor-restricted contributions		6,963
<b>Total Net Assets with Donor Restrictions</b>	<b>\$</b>	<b><u>23,222</u></b>

**Net Assets without Donor Restrictions**

Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2019, the Charter’s net assets without donor restrictions consist of the following:

Net investment in capital assets	\$	207,085
Undesignated		1,675,910
<b>Total Net Assets without Donor Restrictions</b>	<b>\$</b>	<b><u>1,882,995</u></b>

**NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Charter’s financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action. Yu Ming Charter School maintains a line of credit (as mentioned in Note 11) which could be drawn upon to ensure financial assets are available as general expenditures and other obligations become due.

Financial assets		
Cash and cash equivalents	\$	885,229
Accounts receivable, current portion		983,739
Prepaid expenses		217,414
Total Financial Assets, excluding noncurrent	<b>\$</b>	<b><u>2,086,382</u></b>
Contractual or donor-imposed restrictions		
Cash restricted by others for specific uses		(23,222)
Board designations		-
<b>Financial Assets available to meet cash needs for expenditures within one year</b>	<b>\$</b>	<b><u>2,063,160</u></b>

**NOTE 9 – DONATED MATERIALS AND SERVICES**

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Yu Ming Charter School in an effort to advance the Charter’s programs and objectives. These services have not been recorded in the Charter’s financial statements because they do not meet the criteria required by generally accepted accounting principles.

**YU MING CHARTER SCHOOL  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 10 – EMPLOYEE RETIREMENT PLANS**

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

**California State Teachers’ Retirement System (CalSTRS)**

**Plan Description**

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

**Funding Policy**

Active plan members are required to contribute 10.25% or 10.205% of their 2018-19 salary depending on the employee’s membership date in the plan. The required employer contribution rate for fiscal year 2018-19 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2018-19	\$ 353,816	100%
2017-18	\$ 296,585	100%
2016-17	\$ 183,350	100%

**On-Behalf Payments**

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Yu Ming Charter School is estimated at \$320,252. The on-behalf payment amount is computed as the proportionate share of total 2017-18 State on-behalf contributions plus an additional supplemental contribution for fiscal year 2018-19 due to California Senate Bill No. 90.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Governmental Funds**

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

**Multi-employer Defined Benefit Plan Participation**

Under current law on multiemployer defined benefit plans, the Charter’s voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter’s proportionate share of the multiemployer plan’s unfunded vested liabilities. CalSTRS has estimated that the Charter’s share of withdrawal liability is approximately \$3,508,474 as of June 30, 2018. The Charter does not currently intend to withdraw from CalSTRS. Refer to Note 10 for additional information on employee retirement plans.

**YU MING CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2019**

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**NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)**

**Line of Credit**

On March 4, 2019, Yu Ming Charter School entered into a promissory note for a line of credit with First Republic Bank in the amount of \$250,000. The Charter grants First Republic Bank a continuing lien and security interest in any and all deposits as security for full and punctual payment. The Charter had no outstanding loan payable under this line of credit as of June 30, 2019.

**Lease Agreements**

In July 2017, Yu Ming Charter School entered into a lease agreement with The Roman Catholic Corporation of Oakland for the use of a portion of the premises located at 675 41<sup>st</sup> Street in Oakland, California. The facilities are utilized by the Charter for its Upper Campus serving students in grades 3 to 8. The lease covers a term beginning July 1, 2017 to July 31, 2022. Lease payments are due monthly, and amounts vary per year beginning on July 1<sup>st</sup>.

In June 2018, the Charter entered into an updated lease agreement with The Roman Catholic Corporation of Oakland for use of a school building located at 1086 Alcatraz Avenue in Oakland, California. The building is utilized by Yu Ming Charter School for its Lower Campus serving students in grades K to 2. The lease covers a term beginning July 1, 2018 to June 30, 2022. Lease payments are due monthly, and amounts vary per year beginning August 1<sup>st</sup>.

As mentioned in Note 6, Yu Ming Charter School has recorded a deferred rent liability associated with these lease agreements. Because of the deferred rent liability, lease expense varies by actual lease payments. During the fiscal year ended June 30, 2019, actual lease payments amounted to \$464,267 and lease expense amounted to \$508,809. Refer to Note 6 for future minimum lease payments for these lease agreements.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The Charter makes payments to the authorizing agency, Alameda County Office of Education, to provide required services for oversight and monitoring. In accordance with California Education Code 47613(b), the authorizing agency may charge actual costs of oversight not to exceed 3% of revenue from local control funding formula sources if the authorizing agency also provides substantially free facilities.

Fees associated with oversight consisted of 3% of revenue from local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to \$104,790 for the fiscal year ending June 30, 2019.

**NOTE 13 – SUBSEQUENT EVENTS**

Yu Ming Charter School has evaluated subsequent events for the period from June 30, 2019 through December 13, 2019, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

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## **SUPPLEMENTARY INFORMATION SECTION**

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**YU MING CHARTER SCHOOL  
CHARTER ORGANIZATIONAL STRUCTURE  
JUNE 30, 2019**

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Yu Ming Charter School, located in Alameda County, was formed as a nonprofit public benefit corporation on July 7, 2010 and numbered by the State Board of Education in August 2011 as California Charter No. 1296. The Charter is authorized to operate as a charter school through the Alameda County Office of Education. During 2018-19, the Yu Ming Charter School served approximately 445 students in grades K to 8.

**BOARD OF DIRECTORS**

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<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>
Julie Mikuta	Chair	December 30, 2019
Brianna Swartz	Vice Chair	August 26, 2019
Jessica Norman	Treasurer	August 26, 2019
Joy Lee	Secretary	September 21, 2019
Ron Lewis	Member	January 31, 2020
Eric Peterson	Member	June 30, 2020
Lucia Hwang	Member	June 30, 2020
Ethan Warsh	Member	October 18, 2020
Sonali Nijhawan	Member	October 18, 2020
Alcine Mumby	Member	December 12, 2021

**ADMINISTRATION**

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Sue Park  
*Head of School*

Meredith Hansen Favero  
*Director of Student Support Service*

Cindy Liu  
*Director of Operations and Strategy*

Xinyi Xu  
*Director of Lower School*

Celia Pascual  
*Director of Upper School*

See accompanying note to supplementary information.

**YU MING CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATENDANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Second Period Report</b>	<b>Annual Report</b>
<i>Certificate No.</i>	<u>0E37CA94</u>	<u>D9C1C013</u>
	<u>Classroom-Based</u>	
<b>Grade Span</b>		
Kindergarten through third	249.73	249.33
Fourth through sixth	133.31	132.55
Seventh through eighth	48.00	47.95
<b>Total Average Daily Attendance - Classroom-Based</b>	<u>431.04</u>	<u>429.83</u>
	<u>Nonclassroom-Based</u>	
<b>Grade Span</b>		
Kindergarten through third	2.65	3.33
Fourth through sixth	0.80	1.12
Seventh through eighth	0.83	0.99
<b>Total Average Daily Attendance - Nonclassroom-Based</b>	<u>4.28</u>	<u>5.44</u>
<b>Total Average Daily Attendance</b>	<u>435.32</u>	<u>435.27</u>

See accompanying note to supplementary information.

**YU MING CHARTER SCHOOL  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Grade Span</b>	<b>Minutes Requirement</b>	<b>2018-19 Actual Minutes</b>	<b>Number of Days Traditional Calendar</b>	<b>Status</b>
Kindergarten	36,000	63,135	184	Complied
Grades 1 through 3	50,400	58,280	184	Complied
Grades 4 through 8	54,000	58,280	184	Complied

See accompanying note to supplementary information.

**YU MING CHARTER SCHOOL  
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL  
STATEMENTS  
JUNE 30, 2019**

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June 30, 2019, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	<u>\$ 1,950,759</u>
Adjustments:	
Increase (decrease) in total net assets:	
Change in deferred rent liability	<u>(44,542)</u>
Net adjustments	<u>(44,542)</u>
June 30, 2019, net assets per audited financial statements	<u>\$ 1,906,217</u>

See accompanying note to supplementary information.

**NOTE 1 – PURPOSE OF SCHEDULES**

**A. Charter Organizational Structure**

This schedule provides information about the Charter’s authorizing agency, grades served, members of the governing body, and members of the administration.

**B. Schedule of Average Daily Attendance (ADA)**

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

**C. Schedule of Instructional Time**

Yu Ming Charter School receives, as part of their local control funding formula sources, incentive funding for maintaining instructional time. This schedule presents information on the amount of instructional time offered by the Yu Ming Charter School and whether the Charter complied with the provisions of *Education Code Section 46200* through *46208*.

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

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

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Yu Ming Charter School (the "Charter") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated December 13, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

San Diego, California  
December 13, 2019

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

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

**Report on State Compliance**

We have audited Yu Ming Charter School's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Yu Ming Charter School's state programs for the fiscal year ended June 30, 2019, as identified below.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Yu Ming Charter School's state programs 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Yu Ming Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Yu Ming Charter School's compliance with those requirements.

**Opinion on State Compliance**

In our opinion, Yu Ming Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the following table for the year ended June 30, 2019.

**Procedures Performed**

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

Description	Procedures Performed
<b>School Districts, County Offices of Education and Charter Schools</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not applicable
<b>Charter Schools</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

We did not perform testing of Nonclassroom-Based Instruction/Independent Study because reported average daily attendance (ADA) was not material.



San Diego, California  
December 13, 2019

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## **FINDINGS AND QUESTIONED COSTS SECTION**

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**YU MING CHARTER SCHOOL  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Financial Statements**

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

**Federal Awards**

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

**State Awards**

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**YU MING CHARTER SCHOOL  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

*There were no audit findings related to the financial statements during 2018-19.*

**YU MING CHARTER SCHOOL  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

*There were no audit findings and questioned costs related to state awards during 2018-19.*

**YU MING CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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*There were no audit findings and questioned costs during 2017-18.*