SHADE CANYON SCHOOL

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2025

A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL

Shade Canyon School (Charter No. 2125)

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CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Shade Canyon School
Kelseyville, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Shade Canyon School which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shade Canyon School as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shade Canyon School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shade Canyon School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, on our consideration of Shade Canyon School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shade Canyon School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shade Canyon School's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 8, 2025

SHADE CANYON SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025

ASSETS	
Current assets	
Cash and cash equivalents	$ 79,870
Accounts receivable	271,589
Prepaid expenses	24,286
Total current assets	375,745
Noncurrent assets	
Right-of-use asset	610,343
Capital assets, net	245,653
Total noncurrent assets	855,996
Total Assets	$ 1,231,741
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	$ 127,906
Deferred revenue	85,500
Operating lease liability	647,080
Loan payable	187,498
Total liabilities	1,047,984
Net assets	
Without donor restrictions	183,757
Total net assets	183,757
Total Liabilities and Net Assets	$ 1,231,741

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

SHADE CANYON SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	$ 481,806
Federal revenues	247,337
Other state revenues	104,333
Total federal and state support and revenues	833,476
Local support and revenues	
Payments in lieu of property taxes	237,184
Investment income, net	321
Other local revenues	47,856
Total local support and revenues	285,361
Total Support and Revenues	1,118,837
EXPENSES	
Program services	852,890
Management and general	224,353
Total Expenses	1,077,243
CHANGE IN NET ASSETS	41,594
Net Assets - Beginning	142,163
Net Assets - Ending	$ 183,757

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

SHADE CANYON SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	$ 397,449	$ -	$ 397,449
Non-certificated salaries	95,488	30,741	126,229
Pension plan contributions	72,984	-	72,984
Payroll taxes	19,275	2,716	21,991
Other employee benefits	14,775	9	14,784
Total personnel expenses	599,971	33,466	633,437
Non-personnel expenses			
Books and supplies	86,734	3,223	89,957
Insurance	-	19,567	19,567
Facilities	48,157	43,962	92,119
Professional services	63,549	72,427	135,976
Interest expense	-	9,235	9,235
Depreciation	-	41,383	41,383
Fees to authorizing agency	7,190	-	7,190
Other operating expenses	47,289	1,090	48,379
Total non-personnel expenses	252,919	190,887	443,806
Total Expenses	$ 852,890	$ 224,353	$ 1,077,243

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

SHADE CANYON SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 41,594
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	41,383
Lease expense - amortization of right-of-use asset	18,369
(Increase) decrease in operating assets	
Accounts receivable	(129,137)
Prepaid expenses	(3,960)
Other current assets (specify)	180,000
Increase (decrease) in operating liabilities	
Accounts payable	108,709
Deferred revenue	45,500
Net cash provided by (used in) operating activities	302,458
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(225,959)
Net cash provided by (used in) investing activities	(225,959)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on loan payable	(62,502)
Net cash provided by (used in) financing activities	(62,502)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,997
Cash and cash equivalents - Beginning	65,873
Cash and cash equivalents - Ending	$ 79,870
SUPPLEMENTAL DISCLOSURE	
Cash paid for interest	$ 9,235

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Shade Canyon School (the "Charter") was formed as a nonprofit public benefit corporation on January 16, 2020 for the purpose of operating as a California public school located in Lake County. The Charter is numbered by the State Board of Education as California Charter No. 2125. The year ended June 30, 2025 was the Charter's second year of school operations for its Waldorf-inspired school. Shade Canyon School serves grades TK to 3 in the 2024-25 fiscal year. The mission and vision of Shade Canyon School are:

Mission: Cultivate inspired learners.
Vision: We believe that by honoring simplicity, we nurture the spark of the individual and nourish a thriving community.

Shade Canyon School is authorized to operate as a charter school through the Kelseyville Unified School District (the "authorizing agency"). In 2021, the Board of Directors of Kelseyville Unified School District approved a charter petition for a five-year term beginning July 1, 2022 and expiring on June 30, 2027. 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. Shade Canyon School reports information regarding its financial position and activities according to two classes of net assets:

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

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

As a public charter school, 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. 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.

F. In Lieu of Property Tax Revenue

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

G. 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.

H. Cash and Investments

Shade Canyon 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, 2025, 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

Shade Canyon School has adopted a policy to capitalize asset when acquired and record the historical cost of these items. 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. Lease Arrangements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, a new lease standard effective no later than the fiscal year 2022-23. Under FASB ASC 842, a right-of-use asset and a related lease liability must be recorded on the statement of financial position (balance sheet) for proper recognition of any operating lease. A right-of-use asset is an intangible asset that pertains to the lessee's right to occupy, operate, and hold a leased asset during the agreed rental period. A lease liability is the financial obligation for the payments required by the lease, discounted to present value.

M. Income Taxes

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

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

N. Fair Value Measurements

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as of June 30, 2025, consists of cash in banks of $79,870 held in noninterest-bearing accounts. Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Shade Canyon School does not have a policy for custodial credit risk for deposits. The FDIC insures up to $250,000 per depositor per insured bank. As of June 30, 2025, Shade Canyon School's bank balance was not exposed to custodial credit risk as there were no deposits over $250,000 in accounts at any one insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consists of the following:

Local control funding sources, state aid	$ 53,436
Federal sources	144,631
Other state sources	23,690
In lieu property tax payments	46,319
Other local sources	3,513
Total Accounts Receivable	**$ 271,589**

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2025 consists of the following:

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Property and equipment				
Land Improvement	$ -	$ 19,998	$ -	$ 19,998
Buildings	39,326	182,357	-	221,683
Equipment	10,500	36,604	-	47,104
Work in Progress	13,000	-	13,000	-
Total property and equipment	62,826	238,959	13,000	288,785
Less accumulated depreciation	(1,749)	(41,383)	-	(43,132)
Capital Assets, net	$ 61,077	$ 197,576	$ 13,000	$ 245,653

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2025, consists of the following:

Vendor payables	$ 97,816
Salaries and benefits	30,090
Total Accounts Payable	$ 127,906

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2025, consists of the following:

State sources	$ 45,500
Local sources	40,000
Total Deferred Revenue	$ 85,500

NOTE 7 – OPERATING LEASE

In July 2023, the Charter entered into a lease agreement to occupy space located at 4335 Sylar Avenue in Kelseyville, California. The facility is utilized for instructional services in order to meet the goals established by the Charter. The lease agreement covers a term beginning July 1, 2023 through June 30, 2038. During the fiscal year ended June 30, 2025, the Charter paid $48,000 in lease payments under this operating lease. At June 30, 2025, the right-of-use asset was $610,343 and the operating lease liability was $647,080**.**

The following table shows the present value of the operating lease liability as the actual lease payments less the implied discount rate and the right-of-use asset as the lease expense over the straight-line basis reduced by the implied discount rate. The Charter has accounted for its lease agreements using an implied discount rate of 5%. The associated asset and liability are amortized over the remaining term of the lease as follows:

Fiscal Year Ending June 30,	**(a)** Lease Expense	**(b)** Lease Payments	**(c)** Discount (5%)	**(b) - (c)** Operating Lease Liability	**(a) - (c)** Right-of-Use Asset
2026	$ 66,368	$ 48,000	$ 31,786	$ 16,214	$ 34,582
2027	66,368	60,000	30,626	29,374	35,742
2028	66,368	61,800	29,074	32,726	37,294
2029	66,368	63,654	27,349	36,305	39,019
2030	66,368	65,564	25,439	40,125	40,929
Thereafter	530,945	600,504	108,168	492,336	422,777
Total	$ 862,785	$ 899,522	$ 252,442	$ 647,080	$ 610,343

NOTE 8 – LOAN PAYABLE

A summary of activity related to the loan payable during the year ended June 30, 2025 consists of the following:

	Balance July 1, 2024	Draws	Payments	Balance June 30, 2025
Charter Revolving Loan	$ 250,000	$ -	$ 62,502	$ 187,498
Total Loan Payable	$ 250,000	$ -	$ 62,502	$ 187,498

Charter Revolving Loan Program

In September 2023, the Charter was approved to borrow $250,000 through the Charter Revolving Loan Fund Program administered by the California School Finance Authority (CSFA). The loan is to be repaid over a four-year period ending January 2028. The revolving note bears an annualized interest rate equal to the "prime rate" of 3.998%. The Charter began making payments of principal and interest in August 2024. Repayment obligations on the above referenced debt are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	$ 62,502	$ 6,947	$ 69,449
2027	62,502	4,463	66,965
2028	62,494	1,977	64,471
Total	$ 187,498	$ 13,387	$ 200,885

NOTE 9 – NET ASSETS

As of June 30, 2025, the Charter did not hold any net assets with 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, 2025, the Charter's net assets without donor restrictions consists of the following:

Net investment in capital assets	$	245,653
Undesignated		(61,896)
Total Net Assets without Donor Restrictions	$	183,757

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2025, 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.

Financial Assets		
Cash and cash equivalents	$	79,870
Accounts receivable		271,589
Prepaid expenses		24,286
Total Financial Assets, excluding noncurrent	$	375,745
Contractual or donor-imposed restrictions		
Cash held for conditional contributions		(85,500)
Financial Assets available to meet cash needs for expenditures within one year	$	290,245

NOTE 11 – EMPLOYEE RETIREMENT PLANS

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

California State Teachers' Retirement System (CalSTRS)

Plan Description

Shade Canyon 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 annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275

Funding Policy

Active plan members are required to contribute 10.25% or 10.205% of their 2024-25 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2024-25 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the 2024-25 fiscal year was $72,984; 100% of the required contribution.

NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

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

On-Behalf Payments

The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Shade Canyon School is estimated at $21,454. The on-behalf payment amount is computed as the proportionate share of total 2023-24 State on-behalf contributions.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

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

The Charter is to make payments to the authorizing agency to provide required services for oversight. Fees associated with oversight consisted of 1% of revenue from local control funding formula sources. Total fees for oversight amounted to $7,190 for the fiscal year ending June 30, 2025. The fee was waived for the Charter's second year of operation and has been recorded as donated services.

Governmental Funds

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

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 11 for additional information on employee retirement plans.

Line of Credit

Shade Canyon School obtained a revolving line of credit with Umpqua Bank in the amount of $100,000. The Charter grants Umpqua 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, 2025.

Pending or Threatened Litigation

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2025.

NOTE 13 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Shade Canyon 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. The Charter did record $7,190 in donated services for oversight provided by the charter school authorizer (refer to Note 12).

NOTE 14 – SUBSEQUENT EVENTS

Shade Canyon School has evaluated subsequent events for the period from June 30, 2025 through December 8, 2025, the date the financial statements were available to be issued. Management did not identify any transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

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.

	Second Period Report	Annual Report
	Classroom-Based	
Grade Span		
Regular		
Kindergarten* through third	55.23	55.90
Total Average Daily Attendance - Classroom-Based	55.23	55.90
	Nonclassroom-Based	
Grade Span		
Regular		
Kindergarten* through third	1.02	0.97
Total Average Daily Attendance - Nonclassroom-Based	1.02	0.97
Total Average Daily Attendance	56.25	56.87

*Includes Transitional Kindergarten (TK)

SHADE CANYON SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025

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

Grade Level	Minutes Requirement	2024-25 Instructional Minutes	2024-25 Number of Days	Status
Kindergarten*	36,000	42,240	176	Complied
Grade 1	50,400	50,820	176	Complied
Grade 2	50,400	50,820	176	Complied
Grade 3	50,400	50,820	176	Complied

*Includes Transitional Kindergarten (TK)

SHADE CANYON SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2025

This schedule provides the information necessary to reconcile fund balance/net position reported on the Annual and Financial Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

June 30, 2025, fund balance/net position on the Unaudited Actuals	$ 350,405
Adjustments:	
Increase (decrease) in total net assets:	
Reduction in local revenue for sale of asset	(180,000)
Closing adjustments to reverse over accrued expenses	13,352
Net adjustments	(166,648)
June 30, 2025, net assets per audited financial statements	$ 183,757

OTHER INFORMATION

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

Shade Canyon School, located in Lake County, was formed as a nonprofit public benefit corporation on January 16, 2020. The charter school operated by the nonprofit, Shade Canyon Charter School was numbered by the State Board of Education as Charter No. 2125. The charter school is authorized by the Kelseyville Unified School District. During 2024-25, the charter school served approximately 64 students in grades TK to 3.

BOARD OF DIRECTORS

Name	Office	Term Expiration
Morgan Vogel Chinnock	Chair	May 2026
Beth Rudiger	Secretary	May 2026
Christie White	Director	June 2026
Gina Lyle-Griffin	Director	October 2026
Lewis Lincoln	Director	April 2027

ADMINISTRATION

Tim de la Torre
Administrator

OTHER INDEPENDENT AUDITORS' REPORTS

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

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
Shade Canyon School
Kelseyville, 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 Shade Canyon School (the "Charter") as of and for the year ended June 30, 2025, 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 8, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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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.

Christy White, Inc.

San Diego, California
December 8, 2025

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

To the Board of Directors of
Shade Canyon School
Kelseyville, California

Report on State Compliance

Opinion on State Compliance

We have audited Shade Canyon School's compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Shade Canyon School's state program requirements for the fiscal year ended June 30, 2025.

In our opinion, Shade Canyon School complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2025, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for State Compliance

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

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

The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user of the report on compliance about Shade Canyon School's compliance with the requirements of the applicable state programs as a whole.

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

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

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Not applicable
Expanded Learning Opportunities Grant (ELO-G)	Not applicable
Career Technical Education Incentive Grant	Not applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Yes

**We did not perform procedures over Nonclassroom-Based Instruction/Independent Study because reported ADA was not material.*

"Not applicable" is used in the table above to indicate that the charter school either did not receive program funding or did not otherwise operate the program during the fiscal year.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the K-12 Audit Guide and which are described in the accompanying schedule of findings and questioned costs as Findings 2025-001. Our opinion on state compliance is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Shade Canyon School's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs as the corrective action plan. Shade Canyon School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

<u>Report on Internal Control Over Compliance</u>

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 8, 2025; except for Finding 2025-001 which is as of August 25, 2026

FINDINGS AND QUESTIONED COSTS SECTION

PART I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

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?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with *2024-25 Guide for Annual Audits of California K-12 Local Education Agencies*?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

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

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

PART II – FINANCIAL STATEMENT FINDINGS

There were no audit findings related to the financial statements for the year ended June 30, 2025.

PART III – STATE AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2025-001: EXPANDED LEARNING OPPORTUNITIES PROGRAM (40000)

Criteria: Local Education agencies (LEA) receiving funding for the Expanded Learning Opportunities (ELO) Program must offer and provide afterschool and summer school enrichment programs for kindergarten (including transitional kindergarten) through sixth grade as described in California Education Code (EC) Section 46120.

Condition: The 2024-25 fiscal year was the first year the charter school was eligible to receive ELO-P funding. The funding was deferred for future use and the program was not operated during the 2024-25 school year.

Cause: Staff and facility restraints prevented ELO-P operation during the school year.

Effect: The charter school is not in compliance with ELO-P program requirements.

Questioned Cost: The ELOP entitlement for Rate 2 was $50,000 for the 2024-25 school year.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the charter school strengthen its planning and oversight procedures to ensure full compliance with ELO-P requirements.

Corrective Action Plan: Shade Canyon School received $50,000 in initial ELO-P funding for FY 2024–25. Due to initial facility and staffing constraints as a developing school, operating a compliant 9-hour program was unfeasible. At the time, state law lacked a formal opt-out declaration process—a statutory gap the Legislature subsequently addressed in Senate Bill 153 for FY 2025–26. Shade Canyon has since fully implemented a compliant ELO-P program for FY 2025–26.

FINDING 2024-001: ATTENDANCE REPORTING (10000 AND 30000)

Criteria: In accordance with Title 5, California Code of Regulations, Section 11960, regular average daily attendance (ADA) shall be computed by dividing the charter school's total number of pupil-days of attendance by the number of calendar days on which school was actually taught in the charter school. The second period (P-2) and annual period attendance reports submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the charter school's ADA in accordance with California Education Code Section 46000 et seq. Management is responsible for ensuring that adequate internal controls over compliance are in place to ensure that any issues of noncompliance are prevented or detected and corrected in a timely manner.

Condition: Based on procedures performed over attendance reporting, we noted errors in the summarization of student attendance data within the student information system resulted in an inaccurate number of student apportionment for both the P-2 and annual attendance periods. For P-2, a divisor of 116 days was used although actual school days amounted to 115 because the Veteran's Day holiday was erroneously included. Additionally, due to school closures, total school days were inaccurately reported as 174 but should have been 172. Regular ADA was overstated by 0.02 ADA at P-2 and overstated by 0.03 ADA for annual.

Current Status: Implemented.

FINDING 2024-002: INSTRUCTIONAL TIME (40000)

Criteria: Pursuant to Education Code Section 47612.5, as a condition of apportionment, a charter school shall offer, at a minimum, 36,000 minutes of instruction to pupils in kindergarten. Additionally, pursuant to EC 43504(c), charter schools are required to offer 175 instructional days per school year.

Condition: The charter experienced four (4) days of emergency closure on February 5 and 12, and June 5 and 6 in 2024. A J-13A waiver was filed and approved with the California Department of Education for three (3) of the four (4) closure days, which provided relief for 615 minutes during the school year; however, the charter school was still short in the annual instructional time offering to grade K by 125 minutes. The approval did not include for relief on February 5, 2024.

Current Status: Implemented.