Annual Financial Report with Independent Auditor's Reports
June 30, 2020 and 2019

San Jose Conservation Corps

(A California Nonprofit Public Benefit Corporation)

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Independent Auditor's Report

Board of Directors
San Jose Conservation Corps
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of San Jose Conservation Corps (the Organization) (a California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2020 and 2019 and the related statement of activities, functional expenses, and cash flows for the years 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 respective financial position of the Organization, as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary 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. Such 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 other accompanying supplementary 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 14, 2020, on our consideration of the Organization'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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

San Mateo, California
December 14, 2020

Assets	2020	2019
Current assets		
Unrestricted cash and cash equivalents		
Corps	$ 1,111,908	$ 381,325
Charter school	137,940	94,939
Accounts receivable	1,610,368	985,962
Prepaid expenses and other current assets	251,908	185,709
Total current assets	3,112,124	1,647,935
Non-current assets		
Construction in progress	317,215	406,071
Property and equipment, net	12,989,564	12,580,646
Total non-current assets	13,306,779	12,986,717
Total assets	$ 16,418,903	$ 14,634,652
Liabilities		
Current liabilities		
Accounts payable	$ 756,315	$ 728,814
Deferred revenue	320,393	30,500
Current portion of notes payable	68,263	65,264
Current portion of line of credit	-	150,980
Accrued vacation	133,919	127,789
Refundable advance - Paycheck Protection Program (PPP)	915,510	-
Total current liabilities	2,194,400	1,103,347
Long-term liabilities		
Notes payable, less current portion	2,029,527	2,096,094
SBA Economic Injury Disaster Loan	150,000	-
Deferred revenue, less current portion	50,000	-
Total long-term liabilities	2,229,527	2,096,094
Total liabilities	4,423,927	3,199,441
Net Assets		
Without donor restrictions	$ 11,977,735	$ 11,392,100
With donor restrictions	17,241	43,111
Total net assets	11,994,976	11,435,211
Total liabilities and net assets	$ 16,418,903	$ 14,634,652

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Government grant income	$ 6,749,455	$ -	$ 6,749,455
General and program revenues - charter school	1,731,542	379,854	2,111,396
Technology reimbursement income	26,432	-	26,432
Contributions	147,422	128,240	275,662
Donated rent	88,431	-	88,431
Donated food	68,394	-	68,394
Donated materials and equipment	-	-	-
Interest income	535	-	535
Rental income	298,104	-	298,104
Miscellaneous	3,201	-	3,201
Net assets released from restrictions	533,964	(533,964)	-
Total support and revenues	9,647,480	(25,870)	9,621,610
Expenses			
Program services			
Corpsmember training	5,907,988	-	5,907,988
Charter school	1,925,409	-	1,925,409
Total program services	7,833,397	-	7,833,397
Management and general	1,146,531	-	1,146,531
Fundraising and development	81,917	-	81,917
Total expenses	9,061,845	-	9,061,845
Change in Net Assets	585,635	(25,870)	559,765
Net Assets, Beginning of Year	11,392,100	43,111	11,435,211
Net Assets, End of Year	$ 11,977,735	$ 17,241	$ 11,994,976

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Government grant income	$ 5,300,689	$ -	$ 5,300,689
General and program revenues - charter school	1,745,896	375,259	2,121,155
Technology reimbursement income	45,280	-	45,280
Contributions	153,842	10,000	163,842
Donated rent	88,431	-	88,431
Donated food	20,797	-	20,797
Donated materials and equipment	29,025	-	29,025
Interest income	922	-	922
Rental income	282,781	-	282,781
Miscellaneous	1,767	-	1,767
Net assets released from restrictions	867,337	(867,337)	-
Total support and revenues	8,536,767	(482,078)	8,054,689
Expenses			
Program services			
Corpsmember training	5,006,877	-	5,006,877
Charter school	2,014,726	-	2,014,726
Total program services	7,021,603	-	7,021,603
Management and general	1,014,969	-	1,014,969
Fundraising and development	110,169	-	110,169
Total expenses	8,146,741	-	8,146,741
Change in Net Assets	390,026	(482,078)	(92,052)
Net Assets, Beginning of Year	11,002,074	525,189	11,527,263
Net Assets, End of Year	$ 11,392,100	$ 43,111	$ 11,435,211

	Program Services					
	Corpsmember Training	Charter School	Total Program Expenses	Management and General	Fundraising and Development	Total Expenses
Personnel costs	$ 3,792,846	$ 1,241,850	$ 5,034,696	$ 582,561	$ -	$ 5,617,257
Education and training	79,142	37,267	116,409	9,165	-	125,574
Professional services	208,911	246,869	455,780	57,515	66,064	579,359
Audit and accounting services	3,196	13,216	16,412	49,010	-	65,422
Office and other	30,809	12,077	42,886	64,535	9,552	116,973
Insurance	100	17,726	17,826	51,992	-	69,818
Equipment and related	57,981	71	58,052	10,741	-	68,793
Vehicle	298,397	-	298,397	8,109	86	306,592
Travel	43,223	7,907	51,130	6,339	4,477	61,946
Occupancy/facilities	127,758	151,868	279,626	201,530	19	481,175
Donated rent	41,359	62,384	103,743	5,688	-	109,431
Donated food	68,394	-	68,394	-	-	68,394
Donated equipment	-	-	-	-	-	-
Donated services	-	-	-	-	-	-
Marketing and comunication	2,625	-	2,625	403	99	3,127
Field expenses	602,805	-	602,805	10,373	-	613,178
Interest	88,415	-	88,415	9,145	-	97,560
Loan closing costs amortization	-	-	-	572	-	572
Loss from uncollectable receivable	11,972	-	11,972	-	500	12,472
Communication and IT	103,705	33,922	137,627	45,941	1,106	184,674
Depreciation	346,350	100,252	446,602	32,912	14	479,528
Total functional expenses	$ 5,907,988	$ 1,925,409	$ 7,833,397	$ 1,146,531	$ 81,917	$ 9,061,845

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services					
	Corpsmember Training	Charter School	Total Program Expenses	Management and General	Fundraising and Development	Total Expenses
Personnel costs	$ 3,187,663	$ 1,271,317	$ 4,458,980	$ 489,399	$ -	$ 4,948,379
Education and training	35,674	51,626	87,300	3,612	1,157	92,069
Professional services	141,206	268,302	409,508	62,614	52,629	524,751
Audit and accounting services	-	8,202	8,202	60,174	-	68,376
Office and other	18,225	11,582	29,807	66,005	12,528	108,340
Insurance	1,620	17,760	19,380	39,951	-	59,331
Equipment and related	31,845	188	32,033	9,958	702	42,693
Vehicle	270,092	-	270,092	3,293	63	273,448
Travel	29,115	5,160	34,275	9,772	11,775	55,822
Occupancy / Facilities	85,796	179,372	265,168	154,341	5,092	424,601
Donated rent	21,146	53,996	75,142	5,622	7,666	88,430
Donated food	20,797	-	20,797	-	-	20,797
Donated equipment	350	-	350	-	-	350
Donated services	28,675	-	28,675	-	-	28,675
Marketing and comunication	150	-	150	411	496	1,057
Field expenses	689,765	-	689,765	5,724	467	695,956
Interest	83,881	16,919	100,800	-	-	100,800
Loan closing costs amortization	-	-	-	1,850	-	1,850
Loss from uncollectable receivable	17,646	-	17,646	-	2,055	19,701
Communication and IT	53,736	39,328	93,064	69,402	3,004	165,470
Depreciation	289,495	90,974	380,469	32,841	12,535	425,845
Total functional expenses	$ 5,006,877	$ 2,014,726	$ 7,021,603	$ 1,014,969	$ 110,169	$ 8,146,741

	2020	2019
Operating Activities		
Change in net assets	$ 559,765	$ (92,052)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	479,528	425,845
Changes in operating assets and liabilities		
Accounts receivable	(624,406)	211,941
Prepaid expenses	(66,199)	(34,925)
Accounts payable	27,501	64,682
Deferred revenue	339,893	13,527
Refundable advance - PPP	915,510	-
Line of credit	(150,980)	(150,614)
Accrued vacation	6,130	10,639
Net Cash from Operating Activities	1,486,742	449,043
Investing Activities		
Acquisition and construction of capital assets	(799,590)	(706,841)
Financing Activities		
Restricted cash	-	525,189
Principal payments on notes	(63,568)	(60,989)
Borrowings under SBA Economic Disaster Loan	150,000	-
Net Cash from Financing Activities	86,432	464,200
Net Change in Cash, and Cash Equivalents	773,584	206,402
Cash, and Cash Equivalents, Beginning of Year	476,264	269,862
Cash, and Cash Equivalents, End of Year	$ 1,249,848	$ 476,264

Note 1 - Summary of Significant Accounting Policies

The San Jose Conservation Corps (the "Organization") was incorporated in May 1987 as an independent nonprofit organization formed to provide disadvantaged young men and women (mostly minority) with the academic education, hands-on learning, and development of basic skills such as leadership communication, computer literacy, and employment training needed to enter and succeed in the Silicon Valley skilled workforce. The Organization offers secondary education courses through its on-site charter high school, and vocational education and job training through its Projects and Recycling Departments. Another program, Youth Build San Jose, combines the mandatory academics with paid on-site job training in the high demand and high wage construction trades. The Organization's mission is to provide youth with a quality high school education and teach valuable work and life skills that empower them to become responsible, productive, and caring citizens.

The Organization operates the San Jose Conservation Corps Charter School (the "Charter School"), which was established on July 1, 2002, to provide vocational training as well as academic hands-on learning. The Charter School is a division of San Jose Conservation Corps. The governing board of the Charter School is also the governing board of the Organization.

The Charter School derives its separate income primarily from state Block Grants (attendance and categorical programs), other federal and foundation grants, as well as from independent donor contributions.

Oversight, beyond the internal review by the Charter School Board of Directors, is under the auspices of the local sponsoring education entity, East Side Union High School District (District). The Charter School is financially independent of the District. Reports are also made to the Santa Clara County Office of Education and the California Department of Education. Individual grants also have reporting requirements.

Accounting Principles

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America, as prescribed by the Financial Accounting Standards Board, which require the use of the accrual method of accounting. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized in the period incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition and Donated Rent

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as with or without donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions.

Government contracts, which are funded on a reimbursement basis, are considered exchange transactions and are also shown as unrestricted revenue.

The Organization entered into an agreement to lease their center office with the City of San Jose. The lease is for a 30-year period, retroactive to March 15, 2000, and requires monthly rental payments of $1, which is significantly less than fair value. The Organization intends to expand their office facility which, during the life of the lease, should significantly impact the value of the property. For the fiscal year ended June 30, 2020, the City of San Jose has determined the fair value of the donated rent to be $88,431.

The Organization was granted a $915,510 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has recorded the loan and any accrued interest as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Donated Assets

Noncash donations are recorded as contributions at their fair market value at the date of donation.

Donated Services and Items

A substantial number of individuals have donated significant amounts of time and inventory to the Organization's programs and supporting functions. However, these services do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States and, therefore, are not recorded in the consolidated financial statements.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash and investments. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Depository Insurance Corporation (FDIC).

The carrying amount of the Organization's total cash was $1,249,848 at June 30, 2020. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC). The bank balance, before reconciling items, was $1,220,257 on June 30, 2020, of which $725,201 was in excess of FDIC insured limits. Management believes the Organization is not exposed to any significant risk related to cash.

The carrying amount of the Organization's total cash was $476,264 at June 30, 2019. The bank balance, before reconciling items, was $461,843 on June 30, 2019, of which all was covered by FDIC.

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. For financial statement purposes, the Organization considers investments with maturity of three months or less on the date of purchase to be cash equivalents. Funds with use restrictions are not included as cash, regardless of their liquidity.

Restricted Cash

Restricted cash represents contributions received with donor-imposed restrictions that have not been fulfilled at year-end and those amounted to $0 and $43,111 at June 30, 2020 and 2019, respectively.

Investments and Fair Value Measurements

In accordance with FASB ASC 820-10, the Corps has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three-level fair value hierarchy. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment. The Organization has $13,894 investments as of June 30, 2020 and $6,742 investments as of June 30, 2019. The investment is valued using level one inputs as of June 30, 2020 and June 30, 2019.

Accounts Receivable

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the result that would have been obtained had the allowance method been followed.

Property, Equipment and Improvements

Property and equipment are stated at cost of acquisition or construction, or fair value if donated. The costs of maintenance and repairs are charged to expense as incurred. Costs of improvement or betterment that increase the value of the property or extend its useful life are capitalized. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, except leasehold improvements. Leasehold improvements are stated at cost and are amortized over the shorter of the life of the asset or the terms of the underlying leases.

The useful lives of the assets are estimated as follows:

Buildings and site improvements	5 to 40 years
Leasehold improvements	10 to 40 years
Vehicles	2 to 5 years
Furniture and equipment	2 to 7 years

Construction in Progress

Construction in progress is stated at cost and generally consists of governmental fees, consulting and professional fees as well as construction costs. These costs are recorded as construction in progress and are not depreciated until the property is placed in service.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue service as other than a private foundation. It is also exempt from state franchise and income taxes under Section 23701 (d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization's Federal Form 990, Return of Organization Exempt From Income Tax, and State Form 109, California Exempt Organization Business Income Tax Return, are subject to examination by the IRS for three years, and by the State Franchise Tax Board for four years, after they were filed. The Organization is not aware of any such examinations at this time.

The Organization has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

San Jose Conservation Corps disclosed the accrued vacation amounting to $127,789 under the long-term liabilities in the previous year's financial statements as of June 30, 2019. However, based on the management's assessment, the accrued vacation amounting to $127,889 was reclassified to the current liabilities as the comparative financial information of 2020 financial statements.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization’s financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Organization for the year ending on June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Organization for the year ending on June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Organization has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received and has early adopted the provisions of contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statements.

On June 3, 2020, the FASB issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) Effective Dates for Certain Entities, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic.

ASU 2020-05 defers the effective date of FASB ASC 606, *Revenue from Contract with Customers*, for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The effective date for a public business entity, a nonprofit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission (SEC) is not affected by the amendments in this ASU.

The effective date of FASB ASC 842, *Leases*, is deferred by one year, as follows:

For private companies and private nonprofits, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

For public nonprofits that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 842, to fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

Note 2 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Land	$ 2,463,319	$ 2,463,319
Building improvements	866,773	866,772
Building	12,805,780	12,805,780
Vehicles	2,236,459	1,793,201
Tiny home trailer	351,813	-
Recycling and construction equipment	413,242	375,329
Computer equipment	56,059	56,060
Office and other equipment	474,744	419,281
Construction in progress	317,215	406,071
	19,985,404	19,185,813
Less accumulated depreciation	(6,678,625)	(6,199,096)
	$ 13,306,779	$ 12,986,717

Depreciation expense was $479,529 for the year ended June 30, 2020 and $425,845 for the year ended June 30, 2019.

Note 3 - Accounts Receivable

Contracts and grants receivable consisted of the following as of June 30, 2020:

	Corps	Charter	Total
Sources			
Federal government	$ 127,060	$ 148,875	$ 275,935
State government	328,280	212,010	540,290
Local government	682,036	-	682,036
Other local sources	112,001	106	112,107
Total Contracts and Grants Receivable	$ 1,249,377	$ 360,991	$ 1,610,368

Contracts and grants receivable consisted of the following as of June 30, 2019:

	Corps	Charter	Total
Sources			
Federal government	$ 127,586	$ -	$ 127,586
State government	415,882	119,632	535,514
Local government	281,446	-	281,446
Other local sources	41,192	224	41,416
Total Contracts and Grants Receivable	$ 866,106	$ 119,856	$ 985,962

Note 4 - Notes Payable

On October 19, 2016, the Organization refinanced its Heritage Bank Note with a $2,400,000 loan from California Bank of Commerce. The balance of the Heritage Bank loan was $2,222,347. The new loan with California Bank of Commerce is a commercial real estate loan bearing interest at 4.5% over 5 years. The loan matures in 5 years with annual payments amortized over 5 years and a lump sum payment on the remaining balance at the end of the loan term. The balance in California Bank of Commerce was $2,097,790 as of June 30, 2020 and $2,161,358 as of June 30, 2019. The notes payable is secured by the buildings of the Organization.

The loan repayment schedule through the fiscal year ending June 30, 2022, is as follows:

Year Ending June 30,	Principal
2021	$ 68,262
2022	2,029,528
	$ 2,097,790

Note 5 - SBA Economic Injury Disaster Loan

The Organization received a $150,000 Economic Injury Disaster Loan administered by a Small Business Administration (SBA) approved partner bearing interest at 2.75% over 30 years. The loan matures and amortized with the annual payments over 30 years. The loan is collateralized with the buildings of the Organization.

The Loan repayment schedule through the fiscal year ending June 30, 2049, is as follows:

Year Ending June 30,	Principal
2021	$ 297
2022	3,612
2023	3,713
2024	3,816
2025	3,921
2026-2030	21,305
2031-2035	24,434
2036-2040	28,023
2041-2045	32,138
2046-2049	28,741
	$ 150,000

Note 6 - Liquidity and Availability

Financial assets available for general expenditure within one year of the statements of financial position date comprise the following:

	2020	2019
Cash and cash equivalents	$ 1,249,848	$ 476,264
Accounts receivable and other assets	1,610,368	985,962
	$ 2,860,216	$ 1,462,226

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following programs, as of June 30, 2020 and 2019:

	2020			
Program	June 30, 2019	Contribution	Released from Restrictions	June 30, 2020
The Schmidt Family Foundation	$ -	$ 100,000	$ (90,356)	$ 9,644
Boston Private Bank & Trust Company	-	10,000	(10,000)	-
Wells Fargo Foundation	-	18,240	(10,643)	7,597
Charter School	43,111	379,854	(422,965)	-
	$ 43,111	$ 508,094	$ (533,964)	$ 17,241

	2019			
Program	June 30, 2018	Contribution	Released from Restrictions	June 30, 2019
Americorps Program	$ 8	$ -	$ (8)	$ -
California Clean Energy	34,618	-	(34,618)	-
Environmnental Project	969	-	(969)	-
Green Program	2,450	-	(2,450)	-
Housing Solution	486,973	10,000	(496,973)	-
Scholarship Program	171	-	(171)	-
Charter School	-	375,259	(332,148)	43,111
	$ 525,189	$ 385,259	$ (867,337)	$ 43,111

Note 8 - Charter School Segmented Information

The Charter School is an education program within the Corps and is a state sponsored entity for reporting purposes. As such, separate charter school financial statements are prepared and submitted to the California Department of Education and the State Controller’s Office each year. The Charter School’s assets can only be used for the intended purposes of the school. However, the use of these assets for school operations is not restricted unless a specific third party restriction exists. The following is a summary of the Charter School’s financial information as of June 30, 2020 and 2019.

Description	June 30, 2020	June 30, 2019	Change
Total Assets	$ 1,361,918	$ 1,029,605	$ 332,313
Total Liabilities	423,371	393,923	29,448
Total Net Assets	926,966	628,421	298,545
Total Revenues	2,111,674	2,121,642	(9,968)
Total Expenditures	1,813,129	1,923,418	(110,289)

The following schedule is to reconcile the program services expense reported on the statement of activities in the Charter School's financial statements to expenses reported in this statement of activities.

	June 30, 2020	June 30, 2019
Reported on the statement of activities in the charter school's financial statements	$ 1,813,129	$ 1,923,418
Expenses paid by the organization that were allocated to the charter school by the usage of the shared facilities:		
Depreciation expenses	49,896	20,393
Interest expenses	-	16,919
Donated rental expense	62,384	53,996
Reported on the San Jose Conservation Corps statement of activities	$ 1,925,409	$ 2,014,726

Note 9 - Retirement Plans

The Organization sponsors a 403(b) retirement plan covering eligible employees. The employer is not required to make contributions to the plan.

Qualified Charter School employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Classified Charter School employees are members of the California Public Employees' Retirement System (CalPERS), and certified employees are members of the State Teachers' Retirement system (STRS). Benefit provisions of the plans are established by state statutes within the Public Employees' Retirement Law and State Teachers' Retirement Law.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 and 2019, are presented above and the total District contributions were $62,182 and $62,037, respectively.

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The Organization contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, Organization and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020 and 2019, are presented above and the Organization's total contributions were $74,356 and $90,481, respectively.

Note 10 - Commitments and Contingencies

Federal and State Awards and Grants

The Organization receives a substantial amount of its support from federal, state, city and county governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

Grant and contract awards require the fulfillment of certain conditions as set forth in the agreements. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and contracts and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Operating Lease

As of June 30, 2020, the Organization had eleven trucks leased from Ryder Truck Rental, Inc. through truck lease and service agreements and two vehicles leased from Enterprise, Inc. through the lease agreement. The Total future scheduled lease payments for thirteen trucks are as follows:

Year Ending June 30,	Lease Payment
2021	$ 90,311
2022	55,490
2023	39,355
2024	31,814
2025	737
	$ 217,707

Note 11 - Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the consolidated financial statements through December 14, 2020, which is the date the consolidated financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Subsequent to year-end, the Organization has been impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact of the Organization's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Supplementary Information
June 30, 2020

San Jose Conservation Corps

(A California Nonprofit Public Benefit Corporation)

Description	Claimed Costs	Audited Costs
Personnel Services		
Corps members salaries and wages	$ 16,301	$ 16,301
Staff salaries and wages	10,629	10,629
Benefits	5,947	5,947
Total personnel services	32,877	32,877
Operating Expenses		
Program specific expenses	1,650	1,650
Office supplies	249	249
Uniform	679	679
Program CM training education	75	75
Professional services	7,960	7,960
Vehicle expenses	10,632	10,632
Facilities	1,431	1,431
Total operating expenses	22,676	22,676
Indirect Costs	18,152	18,152
Total Local Corps Costs	$ 73,705	$ 73,705

Description	Claimed Costs	Audited Costs
Personnel Services		
Corps members salaries and wages	$ 294,544	$ 294,544
Staff salaries and wages	388,633	388,633
Benefits	122,544	122,544
Total personnel services	805,721	805,721
Operating Expenses		
Program specific expenses	26,423	26,423
Office supplies	2,180	2,180
Uniform	16,580	16,580
Computers	3,038	3,038
Program CM training education	7,527	7,527
Travel	1,272	1,272
Finance, license and miscellaneous	521	521
Professional services	96,312	96,312
Vehicle expenses	50,136	50,136
Facilities	31,501	31,501
Equipment	3,900	3,900
Total operating expenses	239,390	239,390
Indirect Costs	218,291	218,291
Total Local Corps Costs	$ 1,263,402	$ 1,263,402

Note 1 - Schedule of Grant Expenditures

Basis of Presentation

The schedules of grant expenditures include the grant activity of the Organization under programs of the *Department of Resources Recycling and Recovery* for the year ended. The information in these schedules is presented in accordance with accounting principles generally accepted in the United States of America.

Summary of Significant Accounting Policies

Expenditures reported in the Schedules are reported on the accrual basis of accounting.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
San Jose Conservation Corps
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Jose Conservation Corps (the Organization) which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Eide Bailly LLP

San Mateo, California
December 14, 2020

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Grants from the Department of Resources Recycling and Recovery

Board of Directors
San Jose Conservation Corps
San Jose, California

Report on Compliance for Each CalRecycle Grant
We have audited the San Jose Conservation Corps' (the Organization) compliance with the types of compliance requirements describe in the *Standards and Procedures for Audits of Local conservation Corps receiving grant funds from the department of resources recycling and recovery* (CalRecycle), issued by the Department of Resources Recycling and Recovery.

Management's Responsibility
Management is responsible for compliance with the requirement of laws, regulations, contracts, and grants applicable to its programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the Organization's compliance with the applicable requirements. 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 *Standards and procedures for Audits of Local Conservation Corps Receiving Grant Funds from the Department of Resources Recycling and Recovery* (CalRecycle), issued by the Department of Resources Recycling and Recovery. 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 a CalRecycle grant occurred. An audit includes examining, on a test basis, evidence about the Organization'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 for each CalRecycle grant. However, our audit does not provide a legal determination of the Organization's compliance with those requirements.

Opinion on Each CalRecycle Grant
In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on CalRecycle grants for the fiscal year ended June 30, 2020.

Other Information – Compliance Procedures

Description	No of Audit Guide Procedures	Procedures Performed
Internal Control	11	Yes
Subcontractors	1	Yes
Competitive Bids	3	Yes
Conflict of Interest	2	Yes
Allowable and Reasonable Costs	7	Yes
Travel	3	Yes

Report on Internal Control Over Compliance

Management of San Jose Conservation Corps is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each of the Organization's CalRecycle grants to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each CalRecycle grants and to test and report on internal control over compliance in accordance with the *Standards and procedures for Audits of Local Conservation Corps Receiving Grant Funds from the Department of Resources Recycling and Recovery*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance (CalRecycle), issued by the Department of Resources Recycling and Recovery, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a CalRecycle grant on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 CalRecycle grant 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 CalRecycle grant 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over financial report and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing standards and the Standards and Procedures for Audits of Local Conservation Corps Receiving Grant Funds from the Department of Resources Recycling and Recovery in considering the Organization’s internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

San Mateo, California
December 14, 2020

Section I – Summary of Auditor's Results

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Calrecycle Grants

Internal control over CalRecycle Grants:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for CalRecycle Grants:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with standards issued by the Department of Resources Recycling and Recovery?	No

Section II – Financial Statement Findings

None reported.

Section III – CalRecycle Findings and Questioned Costs

None reported.

There were no audit findings reported in the prior year's schedule of financial statement findings.