



Annual Financial Report with Independent Auditor's Reports
June 30, 2022 and 2021

San Jose Conservation Corps

(A California Nonprofit Public Benefit Corporation)

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position.....	4
Statement of Activities.....	5
Statement of Functional Expenses.....	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
Department of Resources Recycling and Recovery (CalRecycle) – Schedule of Grant Expenditures – Grant Number RLC-35-20-0003	24
Department of Resources Recycling and Recovery (CalRecycle) – Schedule of Grant Expenditures – Grant Number RLC-36-21-0003	25
Department of Resources Recycling and Recovery (CalRecycle) – Note to CalRecycle Compliance Section.....	26
Independent Auditor’s Reports	
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 <i>Government Auditing Standards</i>	27
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	29
Schedule of Findings and Questioned Costs	
Schedule of Findings and Questioned Costs.....	32
Summary Schedule of Prior Audit Findings.....	33



Independent Auditor's Report

Board of Directors
San Jose Conservation Corps
San Jose, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Jose Conservation Corps (SJCC) (a California Nonprofit Public Benefit Corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SJCC as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 SJCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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; and for 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 Organization's ability to continue as a going concern for 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 GAAS 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.

In performing an audit in accordance with GAAS 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 SJCC'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 SJCC'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The CalRecycle Supplementary Information is presented for the 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 audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2023, on our consideration of SJCC'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 SJCC'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 SJCC's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Menlo Park, California
June 19, 2023

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Unrestricted cash and cash equivalents		
Corps	\$ 3,714,451	\$ 2,026,650
Charter school	500,646	619,835
Accounts receivable	3,070,535	3,310,247
Prepaid expenses and other current assets	<u>386,732</u>	<u>202,968</u>
Total current assets	<u>7,672,364</u>	<u>6,159,700</u>
Non-current assets		
Construction in progress	71,363	159,108
Property and equipment, net	<u>13,145,389</u>	<u>13,472,247</u>
Total non-current assets	<u>13,216,752</u>	<u>13,631,355</u>
Total assets	<u><u>\$ 20,889,116</u></u>	<u><u>\$ 19,791,055</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,494,870	\$ 1,709,267
Refundable advances	640,839	516,773
Current portion of notes payable	1,996,824	2,031,000
Accrued vacation	<u>209,140</u>	<u>224,167</u>
Total current liabilities	<u>4,341,673</u>	<u>4,481,207</u>
Long-term liabilities		
SBA Economic Injury Disaster Loan	<u>150,000</u>	<u>150,000</u>
Total long-term liabilities	<u>150,000</u>	<u>150,000</u>
Total liabilities	<u>4,491,673</u>	<u>4,631,207</u>
Net Assets		
Without donor restrictions	\$ 16,387,498	\$ 15,132,487
With donor restrictions	<u>9,945</u>	<u>27,361</u>
Total net assets	<u>16,397,443</u>	<u>15,159,848</u>
Total liabilities and net assets	<u><u>\$ 20,889,116</u></u>	<u><u>\$ 19,791,055</u></u>

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grant income	\$ 21,430,408	\$ -	\$ 21,430,408
General and program revenues - charter school	1,744,154	534,638	2,278,792
Technology reimbursement income	18,051	-	18,051
Contributions	140,629	-	140,629
Donated rent	88,431	-	88,431
Donated food	137,973	-	137,973
Investment income (loss)	(1,870)	-	(1,870)
Rental income	432,236	-	432,236
Miscellaneous	64	-	64
Net assets released from restrictions	552,054	(552,054)	-
	<u>24,542,130</u>	<u>(17,416)</u>	<u>24,524,714</u>
Total support and revenues			
Expenses			
Program services			
Corpsmember training	18,364,524	-	18,364,524
Charter school	2,416,478	-	2,416,478
Young Leader	51,764	-	51,764
	<u>20,832,766</u>	<u>-</u>	<u>20,832,766</u>
Total program services			
Management and general	2,329,067	-	2,329,067
Fundraising and development	125,286	-	125,286
	<u>23,287,119</u>	<u>-</u>	<u>23,287,119</u>
Total expenses			
Change in Net Assets	1,255,011	(17,416)	1,237,595
Net Assets, Beginning of Year	<u>15,132,487</u>	<u>27,361</u>	<u>15,159,848</u>
Net Assets, End of Year	<u>\$ 16,387,498</u>	<u>\$ 9,945</u>	<u>\$ 16,397,443</u>

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Government grant income	\$ 16,507,159	\$ -	\$ 16,507,159
General and program revenues - charter school	1,729,358	841,381	2,570,739
Technology reimbursement income	12,096	-	12,096
Contributions	104,638	10,120	114,758
Donated rent	88,431	-	88,431
Donated food	97,356	-	97,356
Interest income	1,023	-	1,023
Rental income	372,362	-	372,362
Paycheck Protection Program Loan Forgiveness	915,510	-	915,510
Miscellaneous	4,815	-	4,815
Net assets released from restrictions	841,381	(841,381)	-
Total support and revenues	<u>20,674,129</u>	<u>10,120</u>	<u>20,684,249</u>
Expenses			
Program services			
Corpsmember training	13,139,856	-	13,139,856
Charter school	2,422,909	-	2,422,909
Total program services	<u>15,562,765</u>	<u>-</u>	<u>15,562,765</u>
Management and general	1,758,765	-	1,758,765
Fundraising and development	197,847	-	197,847
Total expenses	<u>17,519,377</u>	<u>-</u>	<u>17,519,377</u>
Change in Net Assets	3,154,752	10,120	3,164,872
Net Assets, Beginning of Year	<u>11,977,735</u>	<u>17,241</u>	<u>11,994,976</u>
Net Assets, End of Year	<u>\$ 15,132,487</u>	<u>\$ 27,361</u>	<u>\$ 15,159,848</u>

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Total Program Expenses	Management and General	Fundraising and Development	Total Expenses
	Corpsmember Training	Charter School	Young Leader				
Personnel costs	\$ 14,774,062	\$ 1,584,409	\$ 20,606	\$ 16,379,077	\$ 1,288,542	\$ 49,019	\$ 17,716,638
Education and training	221,678	48,522	12,318	282,518	15,988	2,417	300,923
Professional services	655,301	347,714	13,700	1,016,715	222,626	24,414	1,263,755
Audit and accounting services	10,507	21,961	-	32,468	164,167	-	196,635
Office and other	49,807	30,911	475	81,193	101,938	19,739	202,870
Insurance	7,974	10,855	-	18,829	104,299	-	123,128
Equipment and related	103,591	-	-	103,591	18,275	325	122,191
Vehicle	588,069	35	336	588,440	21,482	-	609,922
Travel	56,231	5,734	4,259	66,224	20,938	7,621	94,783
Occupancy/facilities	313,360	152,360	-	465,720	187,395	9,364	662,479
Donated rent	20,134	61,694	-	81,828	6,603	-	88,431
Donated food	137,973	-	-	137,973	-	-	137,973
Marketing and communication	18,568	-	-	18,568	43,114	1,054	62,736
Field expenses	536,708	-	-	536,708	16,976	-	553,684
Interest	82,139	-	-	82,139	6,991	2,569	91,699
Loan closing costs amortization	-	-	-	-	6,100	-	6,100
Communication and IT	206,072	26,633	-	232,705	73,651	2,344	308,700
Depreciation	582,350	125,650	70	708,070	29,982	6,420	744,472
Total functional expenses	\$ 18,364,524	\$ 2,416,478	\$ 51,764	\$ 20,832,766	\$ 2,329,067	\$ 125,286	\$ 23,287,119

NOTE: The Young Leader program started in fiscal year 2021-2022 and SJCC is solely a pass through entity for funds.

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Management and General	Fundraising and Development	Total Expenses
	Corpsmember Training	Charter School	Total Program Expenses			
Personnel costs	\$ 8,668,357	\$ 1,410,061	\$ 10,078,418	\$ 915,627	\$ 107,236	\$ 11,101,281
Education and training	143,234	191,378	334,612	9,014	782	344,408
Professional services	1,867,995	465,866	2,333,861	190,836	31,512	2,556,209
Audit and accounting services	9,798	17,812	27,610	99,039	-	126,649
Office and other	38,499	10,745	49,244	56,066	50,703	156,013
Insurance	100	13,913	14,013	79,376	-	93,389
Equipment and related	107,290	-	107,290	17,548	834	125,672
Vehicle	349,235	-	349,235	7,651	70	356,956
Travel	87,059	1,914	88,973	7,676	2,874	99,523
Occupancy/facilities	314,918	104,770	419,688	235,633	8	655,329
Donated rent	20,359	62,384	82,743	5,688	-	88,431
Donated food	97,356	-	97,356	-	-	97,356
Field expenses	531,796	-	531,796	10,752	-	542,548
Interest	88,357	-	88,357	5,980	-	94,337
Loan closing costs amortization	114,303	-	114,303	-	-	114,303
Loss from uncollectable receivable	6,603	-	6,603	-	-	6,603
Communication and IT	201,675	27,773	229,448	81,221	3,409	314,078
Depreciation	465,360	116,293	581,653	23,147	17	604,817
Total functional expenses	\$ 13,139,856	\$ 2,422,909	\$ 15,562,765	\$ 1,758,765	\$ 197,847	\$ 17,519,377

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ 1,237,595	\$ 3,164,872
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	744,472	604,817
Paycheck Protection Program Loan Forgiveness	-	(915,510)
Changes in operating assets and liabilities		
Accounts receivable	239,712	(1,699,879)
Prepaid expenses and other current assets	(183,764)	48,940
Accounts payable	(214,397)	952,952
Refundable advance	124,066	146,380
Accrued vacation	(15,027)	90,248
Net Cash from Operating Activities	<u>1,932,657</u>	<u>2,392,820</u>
Investing Activities		
Acquisition and construction of capital assets	<u>(329,869)</u>	<u>(929,393)</u>
Net Cash used for Investing Activities	<u>(329,869)</u>	<u>(929,393)</u>
Financing Activities		
Principal payments on notes	<u>(34,176)</u>	<u>(66,790)</u>
Net Cash Used for Financing Activities	<u>(34,176)</u>	<u>(66,790)</u>
Net Change in Cash, and Cash Equivalents	1,568,612	1,396,637
Cash, and Cash Equivalents, Beginning of Year	<u>2,646,485</u>	<u>1,249,848</u>
Cash, and Cash Equivalents, End of Year	<u><u>\$ 4,215,097</u></u>	<u><u>\$ 2,646,485</u></u>

Note 1 - Summary of Significant Accounting Policies

The San Jose Conservation Corps (SJCC) was incorporated in May 1987 as an independent nonprofit organization formed to provide disadvantaged young men and women (mostly “people of color”) 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. SJCC 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. SJCC’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.

SJCC 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 SJCC. The governing board of the Charter School is also the governing board of SJCC.

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.

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is 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 without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

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. SJCC 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 a 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

A portion of SJCC's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when SJCC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. SJCC received cost-reimbursable grants that have not been recognized at June 30, 2022 and 2021 because qualifying expenditures have not yet been incurred, with an advance payment recognized in the statement of financial position as a refundable advance in the amount of \$640,839 and \$516,773 for 2022 and 2021. Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when SJCC would otherwise purchase the services. No significant amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

SJCC entered into an agreement to lease their 2650 Senter Road 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. SJCC 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, 2022 and June 30, 2021, the City of San Jose has determined the fair value of the donated rent to be \$88,431.

Donated Services and Food

A substantial number of individuals have donated significant amounts of time and inventory to SJCC'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 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 SJCC to concentrations of credit risk include cash and investments. SJCC 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 SJCC's total cash was \$4,215,097 at June 30, 2022 and \$2,646,485 at June 30, 2021. 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 \$4,215,183 on June 30, 2022, of which \$3,558,435 was in excess of FDIC insured limits. The bank balance, before reconciling items, was \$2,645,431 on June 30, 2021, of which \$2,049,896 was in excess of FDIC insured limits. Management believes SJCC is not exposed to any significant risk related to cash.

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, SJCC 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 \$0 at June 30, 2022 and 2021, respectively.

Investments and Fair Value Measurements

In accordance with FASB ASC 820-10, SJCC 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. SJCC has \$25,554 investments as of June 30, 2022 and \$23,753 investments as of June 30, 2021. The investment is valued using level one inputs as of June 30, 2022 and 2021.

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

SJCC 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. SJCC'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. SJCC is not aware of any such examinations at this time.

SJCC 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.

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 and disclosures at the date of financial statements or during the reporting period. Accordingly, actual results could differ from those estimates.

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 SJCC's financial statements has not yet been determined, the future adoption of this guidance will require SJCC 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 SJCC for the year ending June 30, 2023. Management is evaluating the impact of the adoption of this standard.

Note 2 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,463,319	\$ 2,463,319
Building improvements	910,744	899,843
Building	12,805,780	12,805,780
Vehicles	2,837,369	2,674,295
Tiny home trailer	1,034,334	823,539
Recycling and construction equipment	496,441	481,985
Computer equipment	60,484	57,861
Office and other equipment	564,832	549,067
Construction in progress	<u>71,363</u>	<u>159,108</u>
	21,244,666	20,914,797
Less accumulated depreciation	<u>(8,027,914)</u>	<u>(7,283,442)</u>
	<u><u>\$ 13,216,752</u></u>	<u><u>\$ 13,631,355</u></u>

Depreciation expense was \$744,472 for the year ended June 30, 2022 and \$604,817 for the year ended June 30, 2021.

Note 3 - Accounts Receivable

Contracts and grants receivable consisted of the following as of June 30, 2022:

	<u>Corps</u>	<u>Charter</u>	<u>Total</u>
Sources			
Federal government	\$ 239,511	\$ 133,160	\$ 372,671
State government	543,173	411,765	954,938
Local government	1,715,318	-	1,715,318
Other local sources	<u>27,608</u>	<u>-</u>	<u>27,608</u>
Total Contracts and Grants Receivable	<u><u>\$ 2,525,610</u></u>	<u><u>\$ 544,925</u></u>	<u><u>\$ 3,070,535</u></u>

Contracts and grants receivable consisted of the following as of June 30, 2021:

	Corps	Charter	Total
Sources			
Federal government	\$ 261,545	\$ 103,113	\$ 364,658
State government	712,506	31,899	744,405
Local government	2,062,858	77,378	2,140,236
Other local sources	60,948	-	60,948
Total contracts and grants receivable	\$ 3,097,857	\$ 212,390	\$ 3,310,247

Note 4 - Notes Payable

On October 19, 2016, SJCC 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. On May 25, 2022, the maturity date of the note outstanding in amount of \$1,996,824 was extended from April 5, 2022 to October 5, 2022. The balance in California Bank of Commerce was \$1,996,824 as of June 30, 2022 and \$2,031,000 as of June 30, 2021. The notes payable is secured by the buildings of SJCC.

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

Year Ending June 30,	Principal
2023	\$ 1,996,824
	\$ 1,996,824

Note 5 - SBA Economic Injury Disaster Loan

SJCC 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 amortizes with the annual payments over 30 years. The loan is collateralized with the buildings of SJCC.

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

Year Ending June 30,	Principal
2023	\$ 7,622
2024	3,816
2025	3,922
2026	4,031
2027	4,143
2028-2032	22,505
2033-2037	25,811
2038-2042	29,601
2043-2047	33,949
2048-2049	14,600
	\$ 150,000

Note 6 - Line of Credit

SJCC has a \$1,000,000 revolving line of credit with California Bank of Commerce for short-term working capital. Borrowings under the line bear a fixed interest rate of 6.0% for the term not exceeding 12 months. There is no outstanding balance owed as of June 30, 2022 and June 30, 2021.

Note 7 - Liquidity and Availability

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

	2022	2021
Cash and cash equivalents	\$ 4,215,097	\$ 2,646,485
Accounts receivable and other assets	3,070,535	3,310,247
	\$ 7,285,632	\$ 5,956,732

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following programs, as of June 30, 2022 and June 30, 2021:

Program	2022			
	June 30, 2021	Contribution	Released from Restrictions	June 30, 2022
The Schmidt Family Foundation	\$ 9,644	\$ -	\$ -	\$ 9,644
Knight Foundation	10,120	-	(9,819)	301
Wells Fargo Foundation	7,597	-	(7,597)	-
Charter School	-	534,638	(534,638)	-
	<u>\$ 27,361</u>	<u>\$ 534,638</u>	<u>\$ (552,054)</u>	<u>\$ 9,945</u>
Program	2021			
	June 30, 2020	Contribution	Released from Restrictions	June 30, 2021
The Schmidt Family Foundation	\$ 9,644	\$ -	\$ -	\$ 9,644
Knight Foundation	-	10,120	-	10,120
Wells Fargo Foundation	7,597	-	-	7,597
Charter School	-	841,381	(841,381)	-
	<u>\$ 17,241</u>	<u>\$ 851,501</u>	<u>\$ (841,381)</u>	<u>\$ 27,361</u>

Note 9 - Charter School Segmented Information

The Charter School is an education division within SJCC 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, 2022 and 2021:

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

Description	June 30, 2022	June 30, 2021	Change
Total Assets	\$ 1,866,258	\$ 1,568,047	\$ 298,211
Total Liabilities	662,370	364,352	298,018
Total Net Assets	1,203,888	1,203,695	193
Total Revenues	2,279,680	2,571,315	(291,635)
Total Expenditures	2,279,487	2,294,586	(15,099)

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, 2022	June 30, 2021
Reported on the statement of activities in the charter school's financial statements	\$ 2,279,487	\$ 2,294,586
Expenses paid by the organization that were allocated to the charter school by the usage of the shared facilities:		
Depreciation expenses	75,297	65,939
Donated rental expense	61,694	62,384
Reported on the San Jose Conservation Corps statement of activities	<u>\$ 2,416,478</u>	<u>\$ 2,422,909</u>

Note 10 - Retirement Plans

SJCC 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, 2020 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, 2022, 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	22.910%	22.910%

The CalPERS provisions and benefits in effect at June 30, 2021, 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	20.700%	20.700%

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, 2022 and 2021, are presented above and the total District contributions were \$104,388 and \$68,613, 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, 2020, 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.

SJCC 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 30,2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

The STRP provisions and benefits in effect at June 30,2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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%

Contributions

As a required member, SJCC 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 30,2022 and June 30, 2021, are presented above and SJCC's total contributions were \$96,939 and \$83,794, respectively.

Note 11 - Commitments and Contingencies

Federal and State Awards and Grants

SJCC 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 SJCC’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. SJCC deems this contingency remote since by accepting the grants and contracts and their terms, it has accommodated the objectives of SJCC to the provisions of the grants. SJCC’s management is of the opinion that SJCC has complied with the terms of all grants.

Operating Lease

As of June 30, 2022, SJCC had ten trucks leased from Ryder Truck Rental, Inc. through truck lease and service agreements and eight vehicles leased from Enterprise, Inc. through the lease agreement. The Total future scheduled lease payments for eighteen trucks are as follows:

Year Ending June 30,	Lease Payment
2023	\$ 143,631
2024	40,720
2025	16,294
	\$ 200,645

Note 12 - Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through June 19, 2023, which is the date the 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.



Supplementary Information
June 30, 2022 and 2021

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Department of Resources Recycling and Recovery (CalRecycle) – Schedule of Grant Expenditures – Grant
Number RLC-35-20-0003
Year Ended June 30, 2022

Description	Claimed Costs	Audited Costs
Personnel Services		
Corps members salaries and wages	\$ 276,919	\$ 276,919
Staff salaries and wages	419,446	419,446
Benefits	127,694	127,694
Total personnel services	<u>824,059</u>	<u>824,059</u>
Operating Expenses		
Program specific expenses	29,332	29,332
Office supplies	5,528	5,528
Uniform	3,310	3,310
Computers	2,222	2,222
Program CM training education	26,454	26,454
Travel	306	306
Equipment	89,186	89,186
Professional services	62,219	62,219
Vehicle expenses	35,190	35,190
Facilities	31,517	31,517
Other operating costs	1,114	1,114
Total operating expenses	<u>286,378</u>	<u>286,378</u>
Indirect Costs	<u>96,300</u>	<u>96,300</u>
Total Local Corps Costs	<u>\$ 1,206,737</u>	<u>\$ 1,206,737</u>

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Department of Resources Recycling and Recovery (CalRecycle) – Schedule of Grant Expenditures – Grant
Number RLC-36-21-0003
Year Ended June 30, 2022

<u>Description</u>	<u>Claimed Costs</u>	<u>Audited Costs</u>
Personnel Services		
Corps members salaries and wages	\$ 78,467	\$ 78,467
Staff salaries and wages	162,023	162,023
Benefits	<u>47,151</u>	<u>47,151</u>
Total personnel services	<u>287,641</u>	<u>287,641</u>
Operating Expenses		
Program specific expenses	8,814	8,814
Office supplies	2,711	2,711
Uniform	1,990	1,990
Computers	433	433
Program CM training education	4,575	4,575
Travel	135	135
Professional services	26,559	26,559
Vehicle expenses	7,618	7,618
Facilities	9,066	9,066
Other operating costs	<u>328</u>	<u>328</u>
Total operating expenses	<u>62,229</u>	<u>62,229</u>
Indirect Costs	<u>55,002</u>	<u>55,002</u>
Total Local Corps Costs	<u>\$ 404,872</u>	<u>\$ 404,872</u>

Note 1 - Schedule of Grant Expenditures

Basis of Presentation

The schedules of grant expenditures include the grant activity of SJCC under programs of the *California 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 Reports
June 30, 2022

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)



**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 (SJCC) which comprise the statement of financial position as of June 30, 2022, 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 June 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SJCC'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 SJCC's internal control. Accordingly, we do not express an opinion on the effectiveness of SJCC'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 SJCC'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SJCC'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 SJCC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SJCC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
June 19, 2023



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

Unmodified Opinion

We have audited the San Jose Conservation Corps’ (SJCC) compliance with the types of compliance requirements described 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 California Department of Resources Recycling and Recovery.

In our opinion, SJCC complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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* (CalRecycle). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SJCC 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 opinion. Our audit does not provide a legal determination of SJCC’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 effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to SJCC's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed below has occurred, whether due to fraud or error, and express an opinion on SJCC'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 GAAS, *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 (CalRecycle)* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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, it would influence the judgment made by a reasonable user of the report on compliance about SJCC's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *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 (CalRecycle)*, 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 SJCC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SJCC'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 *Standards and Procedures for Audits of Local Conservation Corps Receiving Grant Funds from the Department of Resources Recycling and Recovery (CalRecycle)*, but not for the purpose of expressing an opinion on the effectiveness of SJCC's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine SJCC's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements Tested

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

<u>Description</u>	<u>No of Audit Guide Procedures</u>	<u>Procedures Performed</u>
Internal Control	10	Yes
Subcontractors	1	No
Competitive Bids	4	Yes
Conflict of Interest	2	Yes
Allowable and Reasonable Costs	6	Yes
Travel	2	Yes

We did not perform subcontractor procedures because SJCC did not have any subcontractors for paid for with CalRecycle Funds.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *Standards and Procedures for Audits of Local Conservation Corps Receiving Grant Funds from the Department of Resources Recycling and Recovery (CalRecycle)*. Accordingly, this report is not suitable for any other purpose.



Menlo Park, California
June 19, 2023



Schedule of Findings and Questioned Costs
June 30, 2022

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)

Section I – Summary of Auditor’s Results

Financial Statements

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.

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

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



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2022

San Jose Conservation Corps
(A California Nonprofit Public Benefit Corporation)

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* 1

Independent Auditor’s Report on Compliance for the major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance 3

Notes to Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs

 Summary of Auditor’s Results..... 8

 Financial Statement Findings 9

 Federal Award Findings and Questioned Costs 10

Schedule of Prior Audit Findings 11



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 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California
December 15, 2022



Independent Auditor’s Report on Compliance for the major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance

Board of Directors
San Jose Conservation Corps
San Jose, California

Report on Compliance for the major Federal Program

Opinion on the major Federal Program

We have audited San Jose Conservation Corps (the Organization)’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2022. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the major Federal Program

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 compliance for the major federal program. Our audit does not provide a legal determination of the Organization’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 effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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, as defined above. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2022, and have issued our report thereon dated June 19, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Menlo Park, California
June 19, 2023

San Jose Conservation Corps
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education			
Passed Through Santa Clara County Office of Education			
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	15547	\$ 6,600
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	15517	<u>15,640</u>
Subtotal			<u>22,240</u>
Title I Grants to Local Education Agencies	84.010	14329	<u>177,547</u>
Total U.S. Department of Education			<u>199,787</u>
U.S. Department of Agriculture			
Direct Grant			
COVID-19-Rural Development, Forestry, and Communities	10.672	Not available	88,785
Urban Agriculture and Innovative Production	10.935	Not available	2,185
Passed Through County of Santa Clara			
Supplemental Nutrition Assistance Program Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not available	<u>139,173</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>139,173</u>
Passed Through Santa Clara County Office of Education			
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	Not available	<u>614</u>
Total U.S. Department of Agriculture			<u>230,757</u>
Corporation for National and Community Service			
Direct Grant			
AmeriCorps State and National	94.006	Not available	<u>619,952</u>
Total Corporation for National and Community Service			<u>619,952</u>
Total Federal Financial Assistance			<u>\$ 1,050,496</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of San Jose Conservation Corps (the Organization) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization has not elected to use the 10% de minimis cost rate for applicable direct federal awards.

Note 4 - Federal Financial Assistance Listing/Federal CFDA Numbers

Federal Financial Assistance Listing/CFDA numbers are from the catalogue of Federal Domestic Assistance published by the Office of Management and Budget and General Services Administration.



Schedule of Findings and Questioned Costs
June 30, 2022

San Jose Conservation Corps

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Assistance Listing Number</u>	
AmeriCorps State and National	94.006	
Dollar threshold used to distinguish between type A and type B programs:		\$ 750,000
Auditee qualified as low-risk auditee?		No

None Reported.

None Reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.