

**ESCUELA XOCHITL TONATIUH, INC.  
DBA: SUNRISE MIDDLE SCHOOL**

**CHARTER SCHOOL NUMBER: 1290**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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CONSULTING**

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2020**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE</b>	<b>16</b>
<b>SCHEDULE OF INSTRUCTIONAL TIME</b>	<b>17</b>
<b>SCHEDULE OF AVERAGE DAILY ATTENDANCE</b>	<b>18</b>
<b>RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED     FINANCIAL STATEMENTS</b>	<b>19</b>
<b>NOTES TO SUPPLEMENTARY INFORMATION</b>	<b>20</b>
<b>INDEPENDENT AUDITORS' 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></b>	<b>21</b>
<b>INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE</b>	<b>23</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>25</b>
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	<b>26</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba: Sunrise Middle School  
San Jose, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Escuela Xochitl Tonatiuh, Inc. dba: Sunrise Middle School (the School), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditors' 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 of 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 auditors' 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.

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba: Sunrise Middle School

**Opinion**

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 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 on 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.



**CliftonLarsonAllen LLP**

Glendora, California  
September 21, 2020

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	587,429
Accounts Receivable - Federal and State		347,509
Prepaid Expenses and Other Assets		44,254
Total Current Assets		979,192

**LONG-TERM ASSETS**

Property, Plant, and Equipment, Net		162,315
Total Long-Term Assets		162,315

Total Assets	\$	1,141,507
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$	57,328
Notes payable, current portion		84,738
Total Current Liabilities		142,066

**LONG-TERM LIABILITIES**

Notes Payable		296,582
Total Long-Term Liabilities		296,582

Total Liabilities		438,648
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**NET ASSETS**

Without Donor Restrictions		682,359
With Donor Restrictions		20,500
Total Net Assets		702,859

Total Liabilities and Net Assets	\$	1,141,507
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*See accompanying Notes to Financial Statements.*

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES</b>			
State Revenue:			
Principal Apportionment	\$ 602,249	\$ -	\$ 602,249
Other State Revenue	221,624	-	221,624
Federal Revenue:			
Grants and Entitlements	437,860	-	437,860
Local Revenue:			
In-Lieu Property Tax Revenue	1,949,595	-	1,949,595
Contributions	77,405	20,500	97,905
Other Revenue	4,910	-	4,910
Investment Income	48	-	48
Total Revenues	<u>3,293,691</u>	<u>20,500</u>	<u>3,314,191</u>
Net Assets Released from Restriction	<u>66,589</u>	<u>(66,589)</u>	<u>-</u>
Total Revenues and Net Assets Released from Restriction	3,360,280	(46,089)	3,314,191
<b>EXPENSES</b>			
Program Services	2,796,592	-	2,796,592
Management and General	470,676	-	470,676
Fundraising	14,135	-	14,135
Total Expenses	<u>3,281,403</u>	<u>-</u>	<u>3,281,403</u>
<b>CHANGE IN NET ASSETS</b>	78,877	(46,089)	32,788
Net Assets - Beginning of Year	<u>603,482</u>	<u>66,589</u>	<u>670,071</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 682,359</u>	<u>\$ 20,500</u>	<u>\$ 702,859</u>

See accompanying Notes to Financial Statements.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and Wages	\$ 1,665,674	\$ 212,118	\$ -	\$ 1,877,792
Pension Expense	162,516	53,472	-	215,988
Other Employee Benefits	168,415	25,165	-	193,580
Payroll Taxes	63,923	9,554	-	73,477
Legal Expenses	-	3,693	-	3,693
Accounting Expenses	-	16,873	-	16,873
Other Fees for Services	92,802	51,293	6,038	150,133
Advertising and Promotion Expenses	-	10,187	-	10,187
Office Expenses	11,108	32,067	-	43,175
Information Technology Expenses	8,214	-	-	8,214
Occupancy Expenses	205,704	10,826	-	216,530
Travel Expenses	-	564	-	564
Conference and Meeting Expenses	8,578	-	-	8,578
Interest Expense	-	289	-	289
Depreciation Expense	37,867	1,993	-	39,860
Insurance Expense	-	29,800	-	29,800
Instructional Materials	89,752	-	-	89,752
Other Expenses	282,039	12,782	8,097	302,918
	<u>282,039</u>	<u>12,782</u>	<u>8,097</u>	<u>302,918</u>
Total Expenses by Function	<u>\$ 2,796,592</u>	<u>\$ 470,676</u>	<u>\$ 14,135</u>	<u>\$ 3,281,403</u>

See accompanying Notes to Financial Statements.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	32,788
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation		39,860
Change in Operating Assets:		
Accounts Receivable - Federal and State		(69,338)
Prepaid Expenses and Other Assets		53,048
Change in Operating Liabilities:		
Accounts Payable and Accrued Liabilities		(101,988)
Net Cash Used by Operating Activities		<u>(45,630)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property, Plant, and Equipment		(43,032)
Net Cash Used by Investing Activities		<u>(43,032)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Notes Payable		381,320
Net Cash Provided by Financing Activities		<u>381,320</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

292,658

Cash and Cash Equivalents - Beginning of Year

294,771

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 587,429

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest

\$ 289

*See accompanying Notes to Financial Statements.*



**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The mission of Escuela Xochitl Tonatiuh, Inc. dba: Sunrise Middle School (the School) is to provide a meaningful and stimulating alternative to mainstream education for 6th through 8th grade students. The School is a California nonprofit public benefit corporation funded principally through State of California public education monies received through the California Department of Education (CDE).

The School was originally chartered through the San Jose Unified School District (the District) through 2014. In March of 2014, the Santa Clara County Office of Education (SCCOE) renewed the School's charter through 2019 and has subsequently renewed the School's charter through June 2024. The charter may be revoked by SCCOE for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**Basis of Accounting**

The financial statements have been prepared on the accrual method of accounting and accordingly, reflect all significant receivables and liabilities.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

**Net Asset Classes**

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 (or certain grantor) 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Asset Classes (Continued)**

The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

**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 the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates

**Functional Allocation of Expenses**

Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

**Cash and Cash Equivalents**

The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

**Accounts Receivable**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2020. Management believes that all receivables are fully collectible, therefore, no provisions for uncollectible accounts were recorded.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000.

**Revenue Recognition**

Amounts received from the California Department of Education are conditional and recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as contributions without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Conditional Grants**

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2020, the School has conditional grant awards of \$322,085 that have not been recognized as revenue in the statement of activities because conditions have not been met.

**Income Taxes**

The School is a nonprofit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Oversight Fees**

The County receives 1% of the School's annual ADA-related revenues for supervisory oversight and administrative services.

**Evaluation of Subsequent Events**

The School has evaluated subsequent events through September 21, 2020, the date these financial statements were available to be issued.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The School has implemented ASU 2018-08 under the full retrospective approach. There was no material impact on the School's financial position and results of operations upon adoption of the new standard.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2020:

Cash and Cash Equivalents	\$ 587,429
Accounts Receivable - Federal and State	347,509
Less: Donor Restricted Net Assets	<u>(20,500)</u>
Total	<u><u>\$ 914,438</u></u>

As part of its liquidity management plan, the School monitors liquidity required and cash flows to meet operating needs on a monthly basis. The School structures its financial assets to be available as general expenditures, liabilities and other obligations come due.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The School maintains bank accounts with one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable primarily consist of funds due from state and federal governments, therefore, no provisions for uncollectible accounts were recorded.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. Depreciation expense was \$39,860 for the year ended June 30, 2020.

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

Leasehold Improvements	\$ 222,430
Equipment	19,714
Total Property, Plant, and Equipment	242,144
Less: Accumulated Depreciation and Amortization	(79,829)
Total Property, Plant, and Equipment, Net	\$ 162,315

**NOTE 6 LONG-TERM DEBT**

In April 2020, the School received a loan from Cross River Bank in the amount of \$381,320 to be used for payroll costs, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in March 2021, principal and interest payments will be required through the maturity date in April 2022.

The annual notes payable principal payments outstanding as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 84,738
2022	296,582
Total	\$ 381,320

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

The School's net assets with donor restrictions for the year ended June 30, 2020 were as follows:

	June 30, 2019	Additions	Releases	June 30, 2020
Subject to Expenditure for Specified Purpose:				
Prop 39 Clean Energy Grant	\$ 66,589	\$ -	\$ (66,589)	\$ -
Outdoor Activities	-	17,500	-	17,500
Tech Education Programs	-	3,000	-	3,000
Total	<u>\$ 66,589</u>	<u>\$ 20,500</u>	<u>\$ (66,589)</u>	<u>\$ 20,500</u>

**NOTE 8 EMPLOYEE RETIREMENT**

**Multiemployer Defined Benefit Pension Plan**

Qualified employees are covered under multiple employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

The risks of participating in this multiemployer defined benefit pension plan are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law, and (c) if the School chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multiemployer plan.

**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2019, total STRS plan net assets are \$273 billion, the total actuarial present value of accumulated plan benefits is \$392 billion, contributions from all employers totaled \$5.6 billion, and the plan is 66% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8 EMPLOYEE RETIREMENT (CONTINUED)**

**Multiemployer Defined Benefit Pension Plan (Continued)**

Funding Policy

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the year ended June 30, 2020 was 18.13% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

The School's contributions to STRS for the past three fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2018	\$ 138,241	100%
2019	190,884	100%
2020	215,988	100%

**Defined Contribution Plan**

The School offers a defined contribution retirement plan to its qualifying employees. Contributions are made to the plan through employee elective deferrals and discretionary employer matching contributions. Employer contributions for the year ended June 30, 2020 were \$6,900.

**NOTE 9 CONTINGENCIES**

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

**NOTE 10 LINE OF CREDIT**

The School has a line of credit for \$93,000. It carries a fixed annual rate of 10% and expires in July 2021. The School has no outstanding balance as of June 30, 2020.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension, benefits, payroll taxes, other fees for services, office expenses, and other expenses, which are allocated on the basis of estimates of time and effort. Occupancy related expenses are allocated based on the estimated facility square footage usage.

**NOTE 12 OPERATING LEASE**

The School has a Facilities Use Agreement with the District through June 30, 2020. The agreement requires the School to pay a Prorata Share and FMV Use Fees (lease payments) that are calculated annually based on the projected enrolled students and amount of space used. For the year ended June 30, 2020, the School paid \$16,517 monthly for a total lease expense of \$198,210.

Estimated future payments under this agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 200,041
2022	201,875
2023	203,710
2024	<u>205,544</u>
Total	<u><u>\$ 811,170</u></u>

**NOTE 13 SUBSEQUENT EVENTS**

The extent of the impact of COVID-19 on the School's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the School's donors, philanthropies, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the School's financial condition or results of operations is uncertain.



**SUPPLEMENTARY INFORMATION**

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 YEAR ENDED JUNE 30, 2020  
 (SEE INDEPENDENT AUDITORS' REPORT)**

Escuela Xochitl Tonatiuh, Inc. dba: Sunrise Middle School is a California nonprofit public benefit corporation and operates a charter school approved by the San Jose Unified School District in 2011. In March of 2014, the Santa Clara County Office of Education (SCCOE) renewed the School's charter through 2019 and has subsequently renewed the School's charter through June 2024.

Escuela Xochitl Tonatiuh, Inc. dba: Sunrise Middle School charter number: 1290

The Board of Directors and the Administrator for the fiscal year ended June 30, 2020 were as follows:

**BOARD OF DIRECTORS**

Member	Office	Term End (3-Year Term)
Gabriel Clark	Chair	June 30, 2023
Kermit Cuff	Vice-Chair	June 30, 2023
Lex Lauron	Treasurer	June 30, 2022
Marilyn Pimentel	Secretary	June 30, 2023
Floriberta Jimenez	Parent Representative	June 30, 2022

**ADMINISTRATOR**

Teresa Robinson	Executive Director
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**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Instructional Minutes</u>		<u>Credited Minutes COVID-19 School Closure Certification</u>	<u>Total Actual Plus Credited Minutes</u>	<u>Traditional Calendar Days</u>	<u>Credited Days COVID-19 School Closure</u>	<u>Total Actual Plus Credited Days</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>						
Grade 6	54,000	44,205	18,420	62,625	127	53	180	In Compliance
Grade 7	54,000	44,205	18,420	62,625	127	53	180	In Compliance
Grade 8	54,000	44,205	18,420	62,625	127	53	180	In Compliance

*See accompanying Notes to Supplementary Information.*

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**YEAR ENDED JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades 4-6	86.06	86.10	86.06	86.10
Grades 7-8	165.32	165.76	165.32	165.76
ADA Totals	251.38	251.86	251.38	251.86

*See accompanying Notes to Supplementary Information.*

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

June 30, 2019 Annual Financial Report	
Fund Balances (Net Assets)	\$ 705,547
Adjustments and Reclassifications:	
Increase (Decrease) of Fund Balance	
(Net Assets):	
Accounts Receivable - Federal and State	37,172
Property, Plant, and Equipment, Net	<u>(39,860)</u>
Net Adjustments and Reclassifications	<u>(2,688)</u>
June 30, 2019 Audited Financial Statement	
Fund Balances (Net Assets)	<u><u>\$ 702,859</u></u>

*See accompanying Notes to Supplementary Information.*

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of the California Education Code.

**NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

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

**NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides the information necessary to reconcile the net assets of the charter school as reported on the Annual Financial Report form to the audited financial statements.



**INDEPENDENT AUDITORS' 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  
Escuela Xochitl Tonatiuh, Inc.  
dba: Sunrise Middle School  
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 consolidated financial statements of Sunrise Middle School (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated September 21, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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.

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba: Sunrise Middle School

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



**CliftonLarsonAllen LLP**

Glendora, California  
September 21, 2020





## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba: Sunrise Middle School  
San Jose, California

We have audited Sunrise Middle School's (the School) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2020. The School's state compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the state laws and regulations as identified below.

### Auditors' Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

### Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

Board of Directors  
Escuela Xochitl Tonatiuh, Inc.  
dba: Sunrise Middle School

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No <sup>1</sup>
Determination of funding for nonclassroom-based instruction	Not Applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not Applicable

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<sup>1</sup> Nonclassroom ADA was under the threshold that required testing.

**Opinion on State Compliance**

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2020.

**Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
September 21, 2020

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* or the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel.

**ESCUELA XOCHITL TONATIUH, INC. DBA: SUNRISE MIDDLE SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

There were no findings and questioned costs related to the basic financial statements or state awards for the prior year.

